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Paying the price of dollar debauchery, Page 15

World news | Business summary

Pakistan Assembly ousts Speaker

Pakistan's National Assembly ousted independent Speaker Fakhar Imam by a vote of 152-72.

Imam had earlier said Prime Minister Mohammed Khan Junejo chose to unseat him because he tried to keep Pakistan's first civilian government since 1977 accountable to the law.

Junejo later defended President Mohammad Zia ul-Haq's decree amending a law on political parties that critics said he violated, arguing that such ordinances were normal procedure.

Thatcher rebuffed

Israel's Defence Minister, Yitzhak Rabin, rejected Mrs Thatcher's call for elections to be held in the occupied Gaza Strip and West Bank to help create a moderate Palestinian leadership with whom Israel could negotiate. Page 16

Israeli inquiry call

Israeli Attorney-General Yitzhak Shamir called for a police investigation into "grave violations" alleged to have been committed by the unnamed head of the security service after a terrorist bus hijacking in April 1984. Page 2

Disease danger

The Solomon Islands face serious outbreaks of disease after a cyclone killed 100 people and left 100,000 homeless, health officials said.

Change promised

Colombia's Liberal Party leader, Virgilio Barco, who won a resounding victory in presidential elections, said he had obtained an unequivocal mandate and promised "drastic change." Page 3

Minister shot

A visiting Cabinet minister from India's Punjab State was shot and seriously wounded on Vancouver Island, British Columbia, but was expected to survive. Malkiat Singh Sidhu was on a private visit to Canada.

Ferry capsizes

About 400 were feared drowned when a double-decker ferry boat capsized in a storm in Bangladesh, 100 miles south of Dhaka.

Beirut blast

A mother and son were among eight people killed and 59 reported injured by a bomb in Christian east Beirut as fighting flared at Palestinian camps in the Moslem western sector of the city.

Landslide kills 23

Rescue workers held out little hope for 14 people still missing after a landslide buried a party of hikers in a mountain gorge in central Taiwan, killing 23 people.

Border controls

Communist guards stopped West German envoys crossing from East to West Berlin and warned US diplomats of new border controls as East Germany brought in rules which Allied powers said could erode Western rights in Berlin. Page 3

Gurkhas killed

Five Gurkhas died and several were injured when police fired at protesters campaigning for autonomy for Gurkha regions of West Bengal.

Township deaths

South African police reported the deaths of four more people in township violence, bringing to 21 the official death toll over the weekend. Page 2

Protest ignored

Whale steaks topped the lunch menu in the Norwegian Parliament as the country's whaling fleet defying international protests, set out on the first day of the 1986 whaling season.

Benedetti plans to raise L550bn

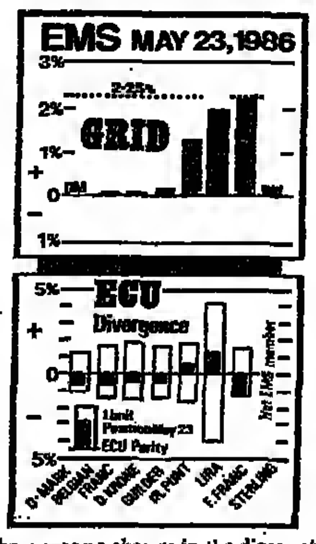
CIR, holding company for industrial and financial interests of Italian financier Carlo de Benedetti, plans to raise L550bn ($352m) through an equity issue on the Milan bourse. Page 16

US JUSTICE Department has given approval to Burroughs' attempt to acquire Sperry, the rival computer manufacturer, amid indications that the two sides have re-established contact after a breakdown in negotiations last week. Page 20

TOKYO: demand for biotechnology stocks pushed the Nikkei market average 12.7 higher to 16,409.49, a third successive record. The index has climbed over 700 points in the past four sessions. Page 40

WALL STREET and London stock exchanges were closed yesterday for public holidays.

EUROPEAN Monetary System: Currencies showed a weaker tendency within the EMS last week in nervous trading. West German interest rates remained soft, although



there was no change in the discount rate after Thursday's Bundesbank meeting. This was partly because of the technical weakness of the D-Mark within the EMS, placed as the lowest member along with the Belgian franc. Sterling was stronger in Ecu terms, showing only a small reaction to a cut in base rates late in the week.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

JAPAN and the US are close to agreement on Japanese access to the American market for semiconductor chips, said Clayton Yeutter, US trade representative. Page 4

EEC countries' average annual inflation rate fell in April to 3.7 per cent, the first time it has dropped below 4 per cent.

COMPANIES

HUGHES AIRCRAFT, US defence and space equipment manufacturer acquired by General Motors for $5.1bn last year, plans to cut its workforce by 5 per cent over the remainder of the year. Page 29

TOTAL, leading French oil group, is cutting its investment budget this year by 25 per cent to a range of between FFr 12bn and FFr 15bn ($1.68bn-$2.1bn) because of the oil price collapse.

DEGUSSA, West German chemicals and precious metals concern, blamed the weak dollar and falling gold and silver prices for a 10 per cent slide in first-half sales to DM 5.2bn ($2.32bn). Page 20

FUJITSU joined other Japanese computer groups in reporting reduced income because of the yen's appreciation. The company's full-year profits fell 68 per cent. Page 21

BARLOW RAND, largest South African industrial group, achieved record first-half sales and profits and increased its interim dividend for the first time since 1980. Page 17

West German President criticises nuclear policy

THE West German Government's determination, in the wake of the Chernobyl reactor disaster, to continue building nuclear energy facilities, has provoked a sharp attack by the traditionally neutral head of state, President Richard von Weizsäcker, writes Peter Bruce in Hamburg.

Opening the annual convention of the Deutscher Gewerkschaftsbund (DGB), the country's biggest trade union umbrella body, President von Weizsäcker said that while an immediate halt to the use of nuclear power would probably do more harm than good, "simply to continue marching in the same direction, as if nothing had happened, is to abdicate politically and to submit to the power of technology.

"I am confident that technology, which was powerful enough to lead us into nuclear energy, will also be powerful enough to lead us, in the long term, away from it and to the production of energy without radioactivity," he said.

The nuclear power issue has quickly come to dominate West German politics, and threatens to destroy the chances of Mr Helmut Kohl's Christian Democrat party (CDU) retaining control of the state of Lower Saxony after elections there next month. The argument also seems certain to be a central theme during the run-up to the federal general elections next January.

The West German public has been seriously shaken by the Soviet nuclear disaster and, faced with predictable pressure from the Greens and other environmentalist groups as well as calls for a withdrawal from nuclear power by the opposition Social Democrats (SPD) and some unions, the Government has dug in its heels, insisting that nuclear power is perfectly safe provided it is in the right hands.

But President von Weizsäcker warned yesterday that "democracy does not make leadership superfluous. Political leaders are elected to lead, not to follow. Leading, however, does not mean behaving as though one knows everything simply by virtue of having been elected.

"Why should we underestimate our fellow citizens," he told cheering trade unionists, "they know perfectly well that those who carry responsibility in the state and the community are often confronted with complex problems, contradictions and Doubts. Why should those responsible not also concede that (their) own confidence has been shaken?"

The Free Democrats (FDP), the junior partners in the ruling coalition, have also distanced themselves from the nuclear programme.

Delegates at the FDP congress at the weekend ignored pleas by the party leadership and passed a resolution calling for a "review" of plans to build a nuclear reprocessing plant, West Germany's first, at Wackersdorf in Bavaria. The vote means that Chancellor Kohl's party will be the only party campaigning on a pro-nuclear ticket.

It is possible that the remarks by President von Weizsäcker might provide Mr Kohl with the breathing space necessary to rework nuclear power policy. The two men are not close, however, and some observers in Hamburg were suggesting after the President's address that its effect could be to harden the Chancellor against changing his mind.

Patrick Cockburn in Moscow writes: The death toll in the Chernobyl disaster has risen to 19, Dr. Evgeny Velikhov, a senior Soviet scientist in charge of clear-up operations, said yesterday.

This means that more than half the 35 people originally listed as seriously injured at Chernobyl have died and another 204 have been injured.

Dr. Velikhov said there were doubts about whether the third reactor, housed in the same building as the fourth 1,000 MW reactor at Chernobyl which exploded, would be able to work again. He would not comment on when the 84,000 people evacuated would be able to return to the villages around the power station.

Nakasone's future in doubt as Japan prepares for election

BY JUREK MARTIN IN TOKYO

THE LEADERS of Japan's ruling party yesterday agreed on steps which should lead to an early general election, probably to be held on July 6.

The necessary consensus was achieved after protracted bargaining at meetings which took place first without and then with Mr Yasuhiro Nakasone, the Prime Minister, who is also president of the Liberal Democratic Party (LDP).

There is a growing assumption in political circles that the agreement was only effected because Mr Nakasone promised not to see another term as LDP president when his current one expires in October.

He hinted at this possibility at a press conference on Saturday, but has yet formally to renounce his intentions. Mr Shin Kanemaru, the LDP Secretary General, even insisted yesterday that the question of Mr Nakasone's future had not been discussed at the meetings.

But at the weekend, the three leading heirs apparent – Mr Shintaro Abe, the Foreign Minister, Mr Noboru Takeshita, the Finance Minister and Mr Kiichi Miyazawa, the LDP executive council chairman – all insisted that Mr Nakasone had to abide by party regulations against another term.

Mr Miyazawa went into yesterday's meetings as the lone opponent to a "double election" (of both houses of the Diet). He emerged with some satisfaction, in that Mr Nakasone promised that the pending reflationary measures would be shaped along lines long advanced by Mr Miyazawa.

The next step is for Mr Nakasone to convene an extraordinary session of parliament, ostensibly on the grounds that a debate on the state of the economy and the adverse impact of the high yen is required.

Although this debate may take place, it would merely serve as a pretext for a dissolution. Mr Nakasone would justify this because, according to the Supreme Court, the current Diet is unconstitutional because of the electoral imbalance between the cities and the countryside. A bill rectifying this passed the regular Diet session before its adjournment last week and the next election would be held under its provisions.

Among all the complex manoeuvring and power politics, the greatest interest still centres on the future of Mr Nakasone. Any number of theories, but few facts, abound. One is that having led his party to an election triumph and ensured an orderly succession, he will retire to the backroom to exercise influence behind the scenes, as his prime ministerial predecessors have done.

Another is that he is merely going to step aside for a couple of years, which may prove a difficult period for Japan in the international field, before answering the call to return to the helm. There is no recent precedent for this, however.

A third is that he has made, even now, no binding commitment not to run again in October and that, with an election over and done with, he will ask to be retained. A variant of this is that the prime ministership and the LDP presidency could be separated, with Mr Nakasone continuing in the former role and someone else handling the latter. Again, however, precedent is lacking.

None of Mr Nakasone's would-be successors appear to have emerged from this round of politicking in better shape. Mr Miyazawa may even have lost ground because he was seen to be the last obstacle to the election that the overwhelming majority of his party wanted.

The election itself, which will be for all the lower house and half the upper chamber, may help determine who is up and down, since it will be construed not merely as a test between the LDP and the opposition but also as a battle between the LDP's quarrelling factions.

Almost lost in the current whirl has been much assessment of how the electorate will vote. The LDP tends to do better when the voters turn out in force, which they did the last time a double election was held in 1980. But the latest polls have shown some slippage in support for the Government, largely because of economic factors.

Gorbachev plans offer on Europe arms reductions

BY PATRICK COCKBURN AND KEVIN BROWN

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday said he planned to make wide-ranging proposals for conventional force reductions in Europe during next month's Warsaw Pact conference of political leaders in Budapest.

Mr Gorbachev told a delegation of British political leaders that he would use the conference to give details of new ideas for cuts in non-nuclear forces throughout Europe.

This new initiative was first mentioned by the Soviet leader during a speech in East Berlin last month, but no details were given.

Mr Gorbachev repeated an offer to hold bilateral talks on nuclear weapons with Britain and to match cuts in British nuclear forces.

This was despite a letter delivered by the delegation from Mrs Margaret Thatcher, the British Prime Minister, stressing that Britain was determined to retain an independent nuclear deterrent.

Mr Gorbachev told the delegation he still favoured a second summit meeting with US President Ronald Reagan, but stressed that it could take place only if there was a prospect of an arms control accord.

He repeated a call to President Reagan to halt atomic testing, and said the Soviet moratorium on such tests would last until August.

Mr Gorbachev pressed Britain to drop its support for US production of chemical weapons about to be resumed with Nato backing after a gap of 17 years – and said he was ready to allow inspection to ensure compliance with a worldwide ban.

Members of the delegation also reported him as warning of the "incalculable consequences" of any attack on Syria or the Palestine Liberation Organisation (PLO).

This follows widespread reports in the Soviet media that the US could be preparing a strike against Syria to follow its attack on Libya last month.

The British delegation was led by Viscount Whitelaw, the Leader of the House of Lords and Deputy Prime Minister. The 14 members included Mr Denis Healey, Labour's spokesman on foreign affairs, and Mr Alan Beith, the Liberal deputy leader.

The delegation, which is visiting Moscow under the auspices of the International Parliamentary Union, marks a return to normal relations between Britain and the Soviet Union after the row that followed the expulsion of 31 Soviet diplomats from London last year for suspected spying.

The delegation had talks lasting more than two hours with Mr Gorbachev and Mr Anatoly Dobrynin, the Central Committee Secretary for Foreign Policy, Lord Whitelaw also had a private 30-minute meeting with Mr Gorbachev.

Lord Whitelaw later said Mr Gorbachev had pressed for a "more positive" attitude from the West to arms control proposals tabled by the Soviet Union.

"He makes very clear that the West is not responding sufficiently to the various Soviet initiatives," he said.

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Rush to sell sends French shares tumbling

By David Housego in Paris

A WAVE of selling by small investors sent the Paris bourse tumbling yesterday in the sharpest fall in share prices on the French stock exchange in any one day over the last five years.

The official index shed 6.8 percentage points, but the overall fall was greater. The quotations of 14 shares – including Dumez, the construction group, the French subsidiary of BP and Chargeurs, the financial holding company – were suspended as they had fallen more than the 20 per cent limit on share movements allowed in any one day on the bourse.

The size of the drop, which included some unloading of shares by foreign institutions, caught brokers and government officials by surprise. It is deeply embarrassing to the right-wing administration of Mr Jacques Chirac which has been seeking to win the confidence of the business community and to prepare the ground for privatisation.

The fall was blamed on a combination of fears that the market had overshot itself, coupled with some poor economic figures last week and signs of growing conflict between Mr Chirac and President François Mitterrand. Brokers T. Tuffier and H. Ravier insisted, however, that nothing bad fundamentally changed in the French economic situation, including the brighter outlook for company profits.

Small investors were, none the less, described as "panic-stricken" by Mr Jean-Pierre Ducatel, a director of brokers Ducatel, Duval, when they telephoned with selling orders.

Yesterday's fall, coming on top of a 2.8 per cent decline on Friday, means that the market has lost about 10 per cent in the last two days of trading. This accelerated decline comes after a heady climb on the bourse which carried the index up 54.6 per cent this year after a 47 per cent rise last year.

Senior government officials were yesterday blaming Mr Edouard Balladur, the Finance Minister, and Mr Michel Noir, the External Trade Minister, for painting too black a picture of the French economy last week in the wake of the poor trade figures and an unfavourable account of French industrial competitiveness by Insee, the forecasting institute.

The souring of the relationship between Mr Chirac and President

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Market report, Page 40; Share prices, Page 37; Italy cuts discount rate, Page 3

GM halts police and military vehicle sales to South Africa

BY TERRY DODSWORTH IN NEW YORK

GENERAL MOTORS, the leading US motor company, is to stop selling vehicles to the South African police and military authorities, in a move partly prompted by shareholders' pressure against South Africa's racial policies.

The decision, announced by Mr Roger Smith, GM's chairman, at the group's annual meeting, will be seen as a clear victory for American activist anti-apartheid organisations.

It comes after a growing number of American companies have decided to withdraw from South Africa altogether, usually citing a lack of profitability in their operations, but also responding, according to the pressure groups, to the feeling that the problems of doing business in the country now outweigh the benefits.

GM, which employs around 3,500 workers in its South African operations, has up to now been one of the staunchest supporters of the pro-South African group of US companies, who argue that wisely-used investment in the country could be a powerful agent for peaceful change in its racial policies.

GM's policy change was made despite the overwhelming defeat of a shareholder resolution which would have forced the same action on the company, but which was opposed by management on the grounds that it would tie the group's hands in the future.

Mr Smith added that the management had also been partly influenced by more stringent US Commerce Department regulations of exports to South Africa. Since 1978, US-made components have been banned from vehicles destined for the South African police or military, and the company has supplied these components from its other overseas operations. New rules, however, mean that the Commerce Department's ban is being extended to headquarters engineering and design facilities as well.

Under the new policy guidelines, GM will continue to tender for business with non-military government agencies, where it sells around 1,200 vehicles annually, but will give up its current market of about 100 units a year to the police and military authorities.

US anti-apartheid groups, mainly organised by large trade union pension funds or university and church investment groups, have become better organised and increasingly militant in their moves against American companies involved in South Africa over the past year.

While these activist organisations have not been able to generate widespread shareholder support for their policies as yet, they argue that their resolutions bring a great deal of pressure to bear on companies to justify their actions in South Africa, thereby contributing to the forces that persuade companies to alter their investment policies.

Several years ago GM adopted the so-called Sullivan Principles, a set of rules for good corporate behaviour in South Africa which were developed by the Rev Leon Sullivan, a black Philadelphia Baptist minister who also sits on GM's board.

Under the principles, GM is committed to desegregated employment policies within its South African plants and an overt statement of its opposition to the apartheid system of racial segregation.

Mr Smith, who recently returned from a nine-day tour of South Africa, said that he believed that the South African Government was making "progress" in dismantling apartheid. The country's problems were "a lot more complex" than they sometimes seemed in the US, he added, with blacks divided "into nine different factions."

CONTENTS

Syria launches drive to reduce its isolation

BY TONY WALKER, RECENTLY IN DAMASCUS

SYRIA HAS launched a diplomatic drive to counter pressure from the West over its alleged sponsorship of "state terrorism" and criticism from its Arab neighbours of its support for non-Arab Iran in the Gulf war.

Syria's high level contacts in recent days with moderate Arab states, including Jordan and Saudi Arabia, are believed aimed at preparing the ground for a possible Arab League summit meeting to discuss divisive issues such as the Gulf war.

Western officials in Damascus say that Syria, which has been unenthusiastic about an Arab summit, may now see value in such a meeting as a way of finessing its contentious support for Iran which is threatening to isolate it in Arab forums.

Syrian President Hafez al Assad's visit to Greece this week—his first to a Nato member—is seen as part of the campaign to bolster his country's position following the US April 15 air raid against Libya and allegations that Syria was behind an attempt to plant a bomb on an Israeli El Al aircraft in London in retaliation against the raid.

The El Al incident contributed to increased tension between Syria and Israel to the point where there were fears the two countries were on the brink of war. Those fears have receded for the time being.

Western officials in Damascus say Syria has been troubled by threats from the West, notably from the US, that it would be forced to pay a price for acts of terror against European targets if there is continuing evidence of Syrian involvement.

These threats coincide with an economic crisis in Syria whose depleted foreign exchange reserves are such that the country is virtually bankrupt at a time when only the Saudis among its financial backers in the Gulf are still providing assistance.

Moderate Arab states, particularly those of the Gulf, have become increasingly restless over Syrian support for Iran since Iranian forces in February broke through Iraqi defences and occupied part of the Faw peninsula in the far south of Iraq adjacent to Kuwait.

President Assad's claim that his support for Iran would not extend to sanctioning the occupation of Arab lands has been undermined by the Faw offensive.

The visit of King Hussein of Jordan to Damascus at the weekend was part of the extensive round of contacts President Assad has been conducting with international figures in the past several weeks.

These contacts have included, according to reports in Damascus, a "dialogue" with the Soviet Union in which the Syrian leader has sought assurances about Moscow's support in the event of an attack against Syria.

The Soviet Union appears to have been careful to avoid a public commitment to intervene, should Syria, its key Middle East ally, come under attack, confining itself to a general statement of support.

Lt-Gen Alexei Lushchev, director general of the Political Department of the Soviet military, said on a visit to Damascus last week that "the USSR stands firmly next to Syria's just and sacred struggle for its freedom and dignity, and for the liberation of the (Israeli) occupied territories," according to Sana, the Syrian newsagency.

As part of a diplomatic push to confront his critics in the West, President Assad gave a well publicised interview to the Washington Post newspaper in which he accused President Reagan of "waging war against us."

He has also conferred with French premier, Mr Jacques Chirac, in a phone call late last week which raised hopes that French hostages in Lebanon would soon be released.

King Hussein of Jordan flew to Baghdad yesterday for talks with President Saddam Hussein of Iraq in a continuing round of contacts with Arab leaders, Reuter reports from Amman.

This is his second visit to Baghdad this month during which he has had two separate meetings with Syria's President Hafez al-Assad and held talks with Egypt's President Hosni Mubarak.

Arafat urged to negotiate Mideast peace

Dutch Foreign Minister Hans Van Den Broek has urged Mr Yassir Arafat, leader of the Palestine Liberation Organisation to negotiate a Middle East peace settlement within the framework of the currently suspended accord with Jordan, a Dutch spokesman said yesterday, Reuter reports.

Mr Van Den Broek, in his capacity as president of the European Community Council of Ministers, has had long and thorough talks with the PLO chief in Tunis, the spokesman said.

Mr Van Den Broek, on the final stage of a fact-finding Middle East tour, reaffirmed Community support for the key United Nations resolutions 242 and 338, as well as a PLO-Jordanian accord signed in February last year.

Jordan's King Hussein suspended the joint peace moves launched three months ago, largely because of Mr Arafat's refusal to accept resolution 242, which implies recognition of Israel.

Row over call for inquiry into Israeli security chief

BY ANDREW WHITLEY IN JERUSALEM

PROF. YITZHAK ZAMIR, Israel's Attorney-General, has caused a sensation by requesting a police investigation into "grave violations" alleged to have been committed by the head of the General Security Service, the Shin Bet, following a bus hijack by terrorists in April 1984.

The decision by Prof. Zamir to launch an inquiry into the actions of the man equivalent to the head of Britain's MI5 has set the Attorney-General against almost the entire Cabinet in the coalition National Unity Government.

The identity of the Shin Bet chief cannot be disclosed in Israel.

For once, Mr Shimon Peres, the Prime Minister, and Mr Yitzhak Shamir, Foreign Minister, have united over the affair. In their view the whole episode —in which two Arab youths from the occupied Gaza Strip died after surrendering to Israeli forces who stormed the bus—belongs to the past, and should be dropped.

Acting on his own, over recent months the Attorney-General appears to have accumulated a considerable body of evidence from former Shin Bet members against their superior. On this basis, Prof Zamir told the Prime Minister last week that he would have to act.

No details of the charges being prepared have been disclosed. But Prof Zamir was reported by state radio yesterday to have said that what had been leaked so far "did not describe the seriousness of the affair."

The Government was believed to have initially attempted to put pressure on the Attorney-General, but now appears to have decided that Prof Zamir is, in fact, acting within his own constitutional authority. The investigation thus should be allowed to proceed without hindrance.

Mr Yitzhak Moda'i, the Justice Minister, denied yesterday that the government had intervened in the affair. The police Inspector-General is expected to open a case soon.

Opec considers raising oil quota to meet demand

BY FINN BARRE IN RIYADH

THE Organisation of Petroleum Exporting Countries (Opec) is considering raising its quota due to higher demand for crude and lower non-Opec production.

This was the result of three days of meetings of five Opec ministers. The meeting was attended by Sheikh Ahmed Zaki Yamani from Saudi Arabia, Mr Rilwana Luqman of Nigeria, Dr Subroto of Indonesia, Mr Arturo Hernandez Grisanti of Venezuela, and Sheikh Ali Al-Khalifa At-Sabah, of Kuwait. Dr Mana At-Oteiba of the United Arab Emirates attended as an observer.

The ministers discussed several scenarios calling for a larger Opec quota. Currently, Opec plans production of 16.3m barrels a day in the third quarter, rising to 17.3m b/d by the end of the year. Its actual production is at least 1m b/d higher than that amount.

Discussions are believed to have covered formulas that may be acceptable to the disgruntled section of Opec consisting of Iran, Libya and Algeria.

Although the discussion of production dominated the meeting, it was called to discuss contracts made with non-Opec producers.

Non-Opec Malaysia has offered to cut back 10 per cent of its production provided Opec controls its own production. Norway said a realistic Opec position would earn its co-operation as well.

Earlier, Sheikh Yamani said in a television interview that a new oil crisis could develop in the 1990s, leaving Gulf states supplying as much as three-quarters of the world's oil.

"Demand is increasing because of consumption. Wells are shutting down in an unexpected way.

"Eventually demand on Opec oil will increase, but if the trend continues, we are going to have a severe energy crisis in the 1990s resulting in a high demand and a real shortage of supplies that we may not be able to handle as we did in the 1970s," Sheikh Yamani said.

Tamils give warning to foreign companies

By John Elliott in Colombo

MULTINATIONAL companies were yesterday warned by a Tamil extremist group to abandon their operations in Sri Lanka if they wanted to avoid the fate of a partially Japanese-owned cement factory which was crippled by a bomb blast last week in the north-eastern city of Trincomalee.

The warning came 24 hours after Tamil extremists launched a terrorist attack on a village outside Trincomalee, shooting and burning 20 men, women and children in the worst massacre to take place in the area since last November.

At midday on Sunday smoke was still rising from Siripura village, charred bodies lay sprawled on mud hut floors among the ashes and the maimed bodies of 10 adults and children lay where they had been shot, kneeling in a line on the edge of an irrigation ditch.

The aim is believed to have been to drive members of the island's Sinhalese community out of villages where they have been settled by the Government and, by killing the family of a Tamil father and Sinhalese mother, to warn against mixed marriages.

The cement factory was blasted last Wednesday night, stopping production and causing an estimated £1m of damage which could take six months to a year to repair. Executives from Mitsui, which owns 27½ per cent of the £14m factory, have arrived in Sri Lanka to examine the damage and review a plan to double the size of the plant, which was opened 18 months ago.

Yesterday the Marxist-influenced Eelam Revolutionary Organisation of Students (Eros), one of four main Tamil extremist groups based in the southern Indian city of Madras, implicitly claimed responsibility for the blast. Eros said it was a warning to multinationals to "stop swindling the people and leave the island immediately."

Mr Ronnie de Mel, Finance Minister, said he could see no reason why companies which have stakes on the island such as Unilever, BAT, Singer, ICI, Brooke Bond and Lipton, should pull out. He pointed out that, unlike Mitsui, which had invested in a partly Tamil area, most of the other plants were in or around Colombo in the southern Sinhalese part of the country.

Mr de Mel yesterday launched the island's five-year development plan which has been hit by the crisis. He regretted that, while Japan is increasing its aid to Sri Lanka, the US was cutting its aid

Western donors set to disappoint Africa's aid hopes

BY MICHAEL HOLMAN

A SPECIAL five-day session of the UN General Assembly on the African economic crisis opens today with an appeal for Western governments and institutions to commit $46bn in fresh assistance over the next five years "to save the African economy from collapse."

The appeal, carried in a report to delegates on the main issues at stake, is accompanied by other studies showing that living standards are falling, the infrastructure deteriorating and millions in dire need.

The crisis goes beyond the prolonged drought on the continent which in spite of better rains over the past 12 months has put 19m people in need of emergency assistance costing $881m this year alone, say reports by the Organisation of African Unity (OAU) and the UN Economic Commission for Africa.

The combination of a rising population, declining per capita agricultural production, falling commodity prices, ecological damage, an unmanageable external debt and domestic policy shortcomings exacerbated by conflicts and natural disasters, have led to a deep-rooted crisis.

Although the session will attract high ranking representatives — Sir Geoffrey Howe, the British Foreign Secretary, and Mr Timothy Raison, the Minister for Overseas Development, will be attending — Western governments are likely to answer the call with a new initiative [illegible] or any substantial commitment of fresh funds.

The response will [illegible] disappoint African leaders, who at last July's OAU summit in Addis Ababa frankly acknowledged their governments' [illegible] since independence shortcomings in economic management, and called for greater external support if reforms [illegible] many African countries were to succeed.

Leading aid agencies [illegible] expected to be highly critical of what they see as governments' unwillingness to support reforms in the West's new relationship with Africa. [illegible] also criticise the decline in terms of Britain's foreign aid over the years, and [illegible] the public's response to Band Aid and the Sport Aid fund raising efforts shows that there would be support for greater government assistance.

Botha response to EPG proposals expected soon

BY JIM JONES IN JOHANNESBURG

THE South African Government is expected to reply this week to Commonwealth proposals designed to end violence in the republic and initiate constitutional talks between black and white.

The response to proposals put forward by a seven-member "eminent persons group" (EPG) from the Commonwealth has been delayed while Pretoria assesses reaction to last Monday's attacks on alleged African National Congress targets in Zimbabwe, Botswana and Zambia.

Government officials in Cape Town say that, although President P. W. Botha is likely to accept the group's call for the release of detained ANC leader Mr Nelson Mandela and agree to a lifting of the ban on the organisation, he will demand in return that the ANC permanently renounce violence.

The Government also says that any talks on a new constitution would have to include black representatives from the country's so-called homelands and Inkatha, the predominantly Zulu-backed movement led by Chief Gatsha Buthelezi.

The Commonwealth group is due to meet in London next week from June 3 to 6 to prepare a report on their initiative.

● Civic leaders in Crossroads and Alexandra, two of South Africa's most troubled black townships, are seeking Supreme Court interdicts to restrain police from allegedly supporting vigilante bands.

● Ethiopian leader Mengistu Haile Mariam has offered to train and arm 10,000 combatants from South Africa and Namibia (South West Africa), AP reports.

Nigeria death toll mounts

ELEVEN students shot by police during disturbances at a Nigerian university have died of their wounds bringing the death toll to 15, doctors said yesterday, **Reuter reports from Lagos.**

The dead were 13 students and two workers, they added. The latest deaths occurred at the hospital at Ahmadu Bello University, scene of Friday's clash.

The wounded were scattered among several hospitals and their number was not known, *but the doctors said some would* lose limbs. Over the weekend, the casualty toll stood at four dead and 15 critically wounded.

Reports reaching Lagos say the trouble centred around university authorities' objections to male students entering female dormitories.

Manila constitution move

PRESIDENT CORAZON Aquino of the Philippines yesterday convened a 50-member commission to write a new constitution replacing the 1973 charter which she abolished shortly after taking power from former President Ferdinand Marcos in February, **Samuel Senoren writes from Manila.**

Forty-four members of the commission who were recommended by members of the cabinet were named by Mrs Aquino at the weekend during a huge rally at Camp Aguinaldo marking the third month of the military revolt against Mr Marcos.

Mrs Aquino, who now rules the country under a provisional constitution, is expected to name the remaining six members in a few days to include former officials under Mr Marcos' government representing the opposition.

Mrs Aquino's government hopes to see a completed charter before the end of the year. It is under increasing pressure to bring the new constitution into effect because of the highly uncertain political and economic environment.

The absence of a permanent constitution is seen by the business community as a major reason for the lack of any significant inflow of both foreign and local investment.

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Alain Cass on the outcome of talks in Geneva and why Moscow may delay withdrawal

Afghan peace breakthrough still remote

THE OUTCOME of last week's Afghan peace talks in Geneva came as no surprise to sceptics in Washington. Three days before the talks ended on a disappointing note, one official just back from Moscow described hints of an imminent breakthrough as "hogwash."

The US believes that, while the indirect talks between Afghanistan and Pakistan under United Nations auspices may eventually provide the mechanism for a Soviet troop withdrawal, they will not provide the impetus.

That will only come when the political, diplomatic, and, above all, military cost of the six-year-old war in Afghanistan to the Soviet Union is high enough. "We are not there yet," said one official.

The main participants in the conflict — the Soviet Union and the Afghan resistance would also need to be involved and a settlement be part of a wider agreement with the US.

In the meantime, the cheerful optimism of Mr Diego Cordobez, the UN mediator and skilful Soviet progaganda give the impression of progress.

Issues already agreed include non-interference by Pakistan and Afghanistan in each other's affairs, the voluntary return of over 3m Afghan refugees, and guarantees of a settlement by the US and the Soviet Union.

But US officials describe them as useful but not central, and doubt whether a breakthrough is any more likely when the talks resume in Geneva on July 30. Discussion of a detailed timetable for troop withdrawal is some way off, they say.

At its most basic level, the Reagan Administration's jaundiced view of Soviet intentions in Afghanistan is due to the profound distrust Washington feels for whatever Moscow says or does. Glimpses of a white flag over Kabul or references to Afghanistan as a "bleeding would" by Mr Mikhail Gorbachev, the Soviet leader, tend to be dismissed as mere diversions.

Self-serving though it may be, there is a more sophisticated US analysis of why the Russians will not withdraw from Afghanistan unless they can leave behind a reliable pro-Soviet regime firmly in control. It goes something like this:

● The 110,000 Russian troops in Afghanistan represent only 2 per cent of the country's security forces. The number of soldiers killed so far, estimated at 10,000, is less than 25 per cent of Americans killed during the Vietnam war.

● Thanks to superior firepower, more sophisticated equipment and growing expertise in guerrilla warfare, the Russians are slowly improving their position in the country. Why, therefore, give up now?

● The diplomatic cost is high but containable. The number of countries which vote against the Soviet Union in the annual UN debate on Afghanistan has increased from 111 in 1980 to 122 last year, but the rise is not dramatic and has probably peaked.

● Finally, Miss Benazir Bhutto, the flambuoyant young opposition leader newly arrived in Pakistan, could challenge the military-backed government of President Zia ul-Haq in the near future and present the Kremlin with a more sympathetic negotiating partner.

Where the American analysis becomes more ambivalent is over the recent change of power in Kabul. Nobody disputes that General Najibullah Ahmadzai, the man picked by the Kremlin to replace Mr Babrak Karmal is even more committed to Moscow than his predecessor.

The former medical doctor and head of the Afghan secret police is a known disciplinarian who has proclaimed as his first task improving the effectiveness and morale of the Afghan army. He has also prepared the ground for striking a deal with frontier tribes dissatisfied with Pakistan in an apparent effort to split an already divided resistance movement.

This could suggest that, far from moving towards a settlement, Moscow has merely replaced its Kabul representative with a more efficient candidate in order to do better. Were Gen Najibullah to stop the rot in the Afghan army, end the deadly feud between the Khalq and Parcham factions of the Afghan Communist Party and strike a deal with the frontier tribes, he would make a major contribution towards the Russian war effort.

A more benign interpretation is that a more able leader has been put in charge precisely because the Russians want to withdraw from Afghanistan.

Even if that version of the Kremlin's intentions is correct, the likelihood of an early settlement is still remote.

Rate of Japan's economic growth slows

By Carla Rapoport in Tokyo

JAPAN'S ECONOMIC growth rate is slowing, according to Japanese banking and government research statistics.

According to the influential quarterly report from the Industrial Bank of Japan, nominal gross national product for this fiscal year in Japan will be 4 per cent, with real GNP at 2.7 per cent. The bank was forecasting nominal growth of 4.7 per cent late last year. Nominal and real GNP growth last year were 6.1 per cent and 4.4 per cent respectively.

The bank said in its report: "Exports and investment in plant and equipment are declining and consumption does not have the strength to compensate for this sluggishness." Similar sentiments were expressed in a report issued last week by the Government's economic planning agency.

The bank predicted that growth in the first half of the fiscal year would drop as low as 1 per cent, but said that stimulation of domestic demand and a moderate recovery in exports are expected in the second half.

Cabinet named in Bangladesh

BANGLADESH'S military president, Gen Hossain Mohammad Ershad, has appointed an interim Cabinet, naming 17 new ministers from the Jatiya Party which won the May 7 general election. They join eight non-political ministers, *Sayed Kalamuddin writes from Dhaka.*

The Jatiya Party now holds 152 parliamentary seats out of 300 and is expected to vote to itself an extra 30 seats reserved for women.

A senior official said the Cabinet would be recast soon after parliament starts work in the first week of July. The existing ministers are the air force and navy chiefs, who double as deputy chief martial law administrators, three service generals and three civilian technocrats.

Bank of Italy cuts discount rate to 12%

BY JAMES BUXTON IN ROME

THE Bank of Italy and the Treasury yesterday pressed ahead with their policy of bringing down interest rates by cutting the official discount rate by one percentage point to 12 per cent. It was the third cut in the discount rate in just over two months, and brought the rate at which the banks borrow from the central bank to a level it has not reached since 1979.

The Treasury pointed to the continuing decline in the consumer price index—now running at about 6 per cent—and the falling wholesale price index. It also pointed to the fact that Italy's trade account showed only a very small deficit in April—amounting to L350bn (£152m) compared with L3,317bn in the equivalent month of 1985.

This means that in the first four months of this year the accumulated trade deficit has amounted to only L6025bn compared with L11,527bn in the first four months of 1985.

The Treasury pointed out that the Government was having no difficulty in financing itself through Treasury bills at current rates of interest, despite the fact that these rates have been falling.

The authorities hope that the commercial banks will follow the lead of the Bank of Italy and cut their lending rates. But on the last two occasions that the discount rate was reduced they showed themselves reluctant to follow suit immediately.

● Mr Beryl Sprinkel, chairman of President Reagan's Council of Economic Advisers, said US interest rates could firm in the second half of this year but that the increase would be only temporary, Reuter reports from Zurich.

He also told a meeting of Swiss bankers and academics that the US Administration, although pleased with the decline of the dollar since last year, "had no objective concerning targets for the dollar."

Balaguer victory

MR JOAQUIN BALAGUER (above) of the opposition Reformist Social Christian Party has been officially declared the winner in the Dominican Republic's presidential election, Reuter reports from Santo Domingo.

The country's independent electoral tribunal announced that the 78-year-old former right-wing president had polled 857,942 votes against 814,716 for his main rival, Mr Jacobo Majluta of the ruling Dominican Revolutionary Party (PRD).

The two candidates said last week they would form a national unity government but there was no word last night how this would operate.

At least five people died in pre-election violence and the count was twice interrupted.

Spotlight turned on US-Mexico relations

BY STEWART FLEMING IN WASHINGTON

A DISPUTE between two top US Government officials over the extent of narcotics-related corruption in Mexico and what the Administration ought to be saying in public about the problem has focused attention on US-Mexican relations at a delicate moment.

Mr Edwin Meese, the US Attorney General, publicly rebuked US Customs Commissioner William Von Raab, whom he described as "one of the unfortunate people in the customs service," for implying in congressional hearings on May 13 "that the whole government of Mexico was in league with drug traffickers."

Mr Meese, whose department has the difficult job of co-ordinating US-Mexican efforts to counter the drug problem, had earlier telephoned the Mexican Attorney General Sergio Garcia Ramirez to deny that charges of high level official corruption made in the hearings "reflect the views of the President, the US Government or the Department of Justice."

Mr Meese's remarks at the weekend can be seen as an implicit criticism of Mr Elliott Abrams, the assistant secretary of state for inter-American affairs. Mr Abrams told the Senate foreign affairs sub-committee in the hearings: "We have told the Mexicans . . . that we are deeply troubled by widespread drug-related corruption," and added, "our purpose is not to call names. It is to look forward to a better chance in the future."

When right-wing Senator Jesse Helms announced earlier this year that he intended to hold congressional hearings on US-Mexican relations, the decision sent a shudder through the Reagan Administration, which feared that a public airing of criticism of a weakened Mexican Government could poison the diplomatic atmosphere between the two nations at a particularly delicate time.

The Mexicans are always hyper-sensitive to US comments about their internal affairs. At present this sensitivity is particularly acute because officials are deep in negotiations with the International Monetary Fund, the World Bank and senior US government officials over a package of economic reforms and new loans aimed at shoring up its battered economy and heading off the threat of default on its foreign debt.

Behind the immediate issues of Mexico's short term financial problems, however, a debate is emerging about long term US policy towards its southern neighbour.

The New York Times, in a front page assessment of US-Mexican relations on Sunday, headlined "Concern growing among US aides on Mexico future," quoted an unnamed senior Administration official as saying that Central Intelligence Agency analyses of the outlook for Mexico pointed towards "chaos on our southern border" if present trends continue.

The newspaper added that the CIA view was not widely shared in the Government but that it had been gaining adherents and quoted a former government official suggesting that the CIA view was influenced by weak Mexican support for US policy in Nicaragua.

Senator Helms' decision to hold hearings on US-Mexican relations was apparently motivated in part by the view that far-reaching reforms of the Mexican political system and radical changes aimed at rooting out corruption and fostering democratic processes were needed to assure stability on the US southern flank.

Clear win for Liberals in Colombian presidential poll

BY ROBERT GRAHAM IN BOGOTA

MR Virgilio Barco, the Liberal candidate in Sunday's presidential elections in Colombia, has won a resounding victory.

With nearly 59 per cent of the vote, Mr Barco has been given a clear mandate for his four-year term in office.

The victory of this 65-year-old US-educated engineer was accurately forecast by the opinion polls and quickly became apparent after voting closed. Preliminary results show that Mr Barco obtained just over 4.7m of the 8m votes cast, compared with 2.7m votes for his rival, Mr Alvaro Gomez, the Conservative candidate.

Prior to the election, Mr Barco's supporters said they hoped to have a margin of at least 1.5m votes over the Conservative candidate. They achieved a higher percentage of the vote than in the March parliamentary elections.

Contadora parliament set up

BY DAVID GARDNER IN ESQUIPULAS, GUATEMALA

CENTRAL AMERICA'S presidents agreed to set up a regional parliament at a two-day summit but left open the central issue of whether they can find enough common ground to sign the Contadora peace treaty.

Despite an upbeat joint communique, expressing a general willingness to proceed with the Contadora treaty, President Oscar Arias of Costa Rica said after the meeting "there had been few areas of agreement and many very serious differences," between left-wing Nicaragua and the US allied nations in the region—El Salvador, Honduras, Costa Rica and Guatemala.

The Contadora group — Mexico, Panama, Colombia and Venezuela—have set a June 6 deadline for the Central American nations to ratify a peace treaty designed to bring a negotiated end to the region's civil wars and the escalating conflicts between Nicaragua and the US.

President Vinicio Cerezo of Guatemala said after the summit: "A decision has been taken not to kill off Contadora."

Formally, the two sides remain divided over the military balance of power in the region and verification of the series of demilitarisation measures in the treaty. Nicaragua is unwilling to begin dismantling what it regards as its purely defensive capability until the US agrees to cease supporting Contra, or counter revolutionary, forces based in Honduras and Costa Rica.

Diplomats face tighter controls in E. Berlin

By Rupert Cornwell in Bonn

BRITAIN, France and the US, the three occupying powers in West Berlin, are reacting with concern to the stricter controls being applied by East Germany to diplomats crossing between the two halves of the divided city—a move widely interpreted as a ploy by the East to achieve a de facto change in the status of Berlin.

The new measure, of which missions in East Berlin were informed last Thursday, came into force yesterday. Diplomats accredited there will have to present a passport at border posts, instead of the diplomatic identity card issued by the East German Foreign Ministry.

However, diplomats representing the three occupying powers appear—for the time being at least—to be exempt from the change in regulations. While officials from the West German "permanent mission," as Bonn's embassy in East Berlin is technically known, were being turned back if they did not show a passport, British, French and American diplomats were being allowed through with identity cards.

The three Western allies will observe how East German border posts implement the measure for a few days yet before taking a firm position.

Communists gain in Cyprus poll

By Andreas Hadjipapas in Nicosia

THE COMMUNIST Akel Party made significant gains in Greek Cypriot municipal elections at the weekend, winning half of the 18 mayoral posts at stake.

The results represent a boost for Akel, which suffered a serious setback in last December's parliamentary elections.

It is now the second largest party with about 32.5 per cent of the vote, behind the right-wing Democratic Rally led by the veteran Mr Glafkos Clerides which marginally held its leading position in Greek-Cypriot politics with about 33 per cent.

The last municipal elections were held during British rule in 1953. Since then, mayors and municipal councils have been appointed by the government because of the Greek-Turkish conflict and other internal crises.

President Spyros Kyprianou's ruling Democratic Party (Diko), which surged to second position last December polling more than 27 per cent, saw its strength reduced and did not win any mayoral seats.

Stockholm moves to curb growing labour unrest

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH Cabinet yesterday appointed a mediation commission to oversee wage negotiations in the whole of the troubled public sector in an attempt to curb growing labour unrest.

The mediators will try to break deadlocked wage negotiations involving more than 1.5m public sector employees and to bring an end to the mounting public sector industrial conflict particularly in the health service and in the schools.

The powerful private sector engineering workers union yesterday threatened to take strike action against 19 leading companies including Volvo, Asea, Saab-Scania, Ericsson and Alfa-Laval from next Tuesday in support of a wage claim. The employers meet today and are expected to respond to the strike threat with their own threat of a far-reaching lock out. The Government has also appointed a mediator in this dispute.

The first strikes broke out in the public sector last Thursday involving around 8,700 local authority doctors, dentists and social workers.

The employers have responded with a threat to lock out about 35,000 teachers from next Monday. Teachers at many senior schools around the country yesterday staged illegal wildcat strikes, and pupils have also staged sympathy sit-ins and demonstrations.

The teachers, who are members of the Saco/SR-S union federation and whose terms of employment are set by the state, have been angered by the threatened lock-out, which the employers are trying to use to put pressure on the striking workers in the health service, who are employed by the local authorities and are members of the parallel Saco/SR-K union.

The Government is seeking to break the trend of repeated high nominal wage settlements, which have served to undermine the country's competitiveness abroad.

US, Japan 'close to agreement in chip war'

BY LOUISE KEHOE IN SAN FRANCISCO

THE US and Japan are close to an egreement on their long-running and often bitter trade dispute over semiconductor chips, according to Clayton Yeutter, the US Trade Representative.

The "chip wars" which have become the focus of US Administration efforts to quell protectionist legislation, will be brought to an end "within two or three weeks," Dr Yeutter said in San Francisco.

"We have made a great deal of progress on the semiconductor case," Dr Yeutter added, referring to oegotiations that took place in Washington last week. "We are not at a solution yet . . . we still have a number of major issues to address, but I am bopeful that we can reach a positive resolution."

Japanese negotiators have adopted a "much more positive attitude," Dr Yeutter said, adding that the Japanese had been "intransigent" a month ago.

The US-Japanese semiconductor trade agreement is expected to have wide-ranging implications for the world electronics and computer industries.

The major elements of the agreement are expected to cover US access to the $9bn (£6bn) Japanese market for semiconductor chips and alleged Japanese "dumping" of chips in the US below "fair value."

To address the dumping issue, the US has proposed a "global price and production cost monitoring system" that would oversee worldwide semiconductor shipments by US and Japanese chip makers.

In return, the US Administration is expected to urge that three major dumping cases against Japanese chip makers, currently in the final stages of determination, sbould be dropped.

● Ministry of International Trade and Industry (Miti) officials said yesterday, that Japan hopes to reach an agreement in principle at the ministerial level talks to take place in Tokyo this week, Carla Rapoport adds from Tokyo. However, Miti officials stressed that such an agreement, if reached, would leave many technical details to be worked out in the weeks to follow.

Japanese electronics industry executives are predicting that Dr Yeutter and the Japanese will issue a formal announcement, with few details, about an agreement in principle later this week.

AMC, Peking reach pact to save Jeep plant

By Terry Dodsworth in New York

AMERICAN MOTORS, the US car manufacturer controlled by Renault nf France, has reached agreement in its two-month-old battle with the Chinese authorities over the provision of foreign exchange to maintain the operations of its Jeep assembly plant in Peking.

In a joint statement after weeks of hebind-the-sceoes manoeuvering, the two sides said that an agreement in principle had been reached on "actions that would permit" the survival of the joint venture.

The statement gave only a sketchy assessment of the future of the company, adding that a detailed development plan was in the process of being worked out.

But It indicated that American Motors bad conceded that it would try to accelerate local component manufacturing, suggesting that negotiations had led to a compromise.

Under this, the US-based group would receive dollar-denominated payments for its goods in return for a commitment to move more swiftly to local parts supply.

AMC made its disagreement with the Chinese authorities public in early April in a deliberate attempt to escalate the row over foreign exchange ond force through a conclusion to the struggle.

The company apparently felt that it could bring sufficient pressure to bear on the Chinese authorities through these tactics.

The joint venture employs around 4,000 Chinese in the assembly of American Motors' Jeep Cherokee model, which is almost entirely exported in kit form from the group's operations in Ontario, along with the Peking 212 Jeep, a Chinese version of a Soviet vehicle.

Since the dispute erupted, around 750 Cherokee kits have been held up for shipment. Although the US company will begin delivering these as soon as possible, Cherokee production In China will be halted for several weeks because of the shortage of kits.

World's car makers set sights on W. Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE WORLD'S car producers are turning their attention away from North America to the Western European markets.

Europe can therefore expect a rapid increase in sales of Japanese, South Korean and Taiwanese cars during the years to 1990, according lo the latest report from the DRI Europe forecasting group.

The Japanese will use West Germany as a "sales springboard" and the UK as a production hase, DRI suggests.

By the end of the decade, Japaoese car imports could be taking 15 per cent of the German market, op from about 12 per cent last year, aod this would boost the Japanese share of total West European sales from 10 per cent to 12 per cent.

DRI points out that by 1990 Nissan will have movid into the second phase of its UK car assembly project and BL's Austin Rover subsidiary will be producing a significant number of cars for Honda.

"This will provide for much more rapid growth in Japanese market share.

"If Nissan expanded to its ultimate objective—250,000 cars —and was successful in this endeavour, that in itself is equivalent to a 2.5 per cent West European market share."

DRI says that by 1987 South Korea's car-making capacity will reach 700,000. "We are reluctant to believe that this volume can be achieved by winning sales chiefly in the budget market in North America.

"Wider sales opportunities will need to be sought, taking the South Koreans into Europe in a determined way for the first time." Taiwan's car exports, which have just started, are forecast to reach 110,000 by 1990, most of them for North America but also some for Europe.

Both South Korean and Taiwan, "the two most advanced automotive industry aspirants," bave been given an important boost in competitiveness as their currencies fell in value in line with the US dollar.

The rapid realignment in exchaoge rates which has taken place since last September has radically altered the pattern of profitability and balance of strategic interest in the automotive industry as a whole, DRI suggests.

The forecasters point out that, on current expectations, the US market has shrunk 25 per cent measured in yen because expected yen revenue on unchaoged sales and price levels is forecast to fall 25 per cent below last year's, using everage exchange rate values for each year. The US market has shrunk 26 per cent measured in West German D-marks.

CAR PRODUCTION AND SALES (000's)

	1980	1984	1985	1986	1990
World					
Sales	28,843	30,467	31,870	32,083	34,872
Western Europe					
Sales	10,119	10,161	10,612	10,990	11,535
Production	10,347	10,723	11,204	11,425	12,200
Present EC					
Sales	9,219	9,212	9,540	9,616	10,328
Production	10,347	10,350	10,803	11,007	11,797
North American					
Sales	9,907	11,357	12,175	11,893	12,878
Production	7,212	8,840	9,259	8,874	8,749
Japan					
Sales	2,857	3,096	3,104	3,168	3,378
Production	7,038	7,073	7,647	7,752	8,111
South Korea					
Production	57	157	264	357	665
Exports	15	49	119	210	468

Source: DRI Europe

The new dollar-yen relationship has eroded — but not completely obliterated — Japanese cost advantage in the US. At current exchange rates, only small car imports have lost a potential pricing edge.

While this at first sight improves the economics of the car plants the Japanese are to put up in the US, "the emerging problem for Japanese manufacturers is the extent to which they now have to look forward to selling, without an exchange rate break, in the small car sector of the North American market now building towards heavy over-supply."

The end of "supernormal" profits in the US will shift the industry's pattern of profitability, substantially, DRI says.

The European prestige manufacturers will probably continue to make profits in the US but their profit rate will shrink rapidly towards that of their more successful European volume car rivals.

"Following five fat years, the Japanese manufacturers also face a rapid erosion of profitability, but not before they have financed extensive product renewal.

"In the medium term, assuming this situation persists, the product development resources of these companies will shrink with their profitability."

DRI says that in the US, "the possibility of serious overcapacity looms. Japanese and Korean-owned plants are swelling domestic supply — eventually by 1.5m cars a year —while new and so far unrestrained import sources from Yugoslavia, Brazil and South Korea are adding to foreign supply.

"Almost certainly, Ford, General Motors and Chrysler's North American factories will provide fewer cars throughout the rest of the decade than they did in 1985."

Western Europe will provide the engine for the industry's growth this year, with a 3.5 per cent increase in car sales compared with 1985. Japan will contribute only slightly with a 2.2 per cent increase.

A cyclical downturn will cut 2.8 per cent from North American sales.

"Prospects for worldwide sales in 1987 are only slightly better as European demand stagnates, while North America returns to moderate growth."

"DRI World Automotive Report," £1,400 from 30 Old Queen Street, London SW1H 9HP.

Italian group wins L300bn China power station order

BY ALAN FRIEDMAN IN MILAN

THE Genoa-based plant engineering company, Gruppo Industrie Elettro Meccaoicbe (GIE), which is a 50-50 joint venture between state and private shareholders, said yesterday it had won a L300bn (£114m) contract to huild a coal-fired power plant in China.

GIE, which said it had beaten French and Japanese competitors to win the deal, claimed the contract to huild the 320 MW power station represents the largest such order which is entirely Italian. Tbe plant is to be built at Tianjing, 100 miles south-east of Peking.

GIE is 50 per cent owned by Ansaldo, the state engineering company controlled by the IRI-Finmeccanica holding group The other 50 per cent is owned by private companies,

The GIE order comes from the China National Technical Import Corporation.

SHIPPING REPORT

Tanker market buoyant

BY ANDREW FISHER

THE TANKER market remained buoyant last week after its recent upturn caused by the fall in oil prices, tbough there was less activity among the larger vessels.

Galbraith's the UK shipbroking company, said new business was now oeeded for VLCCs and ULCCs (very large and ultra large crude carriers), if the higber Worldscale 35 level for a 250,000 deadweight ton tanker was to be maintained.

Showing that the market was now nperating on a mucb firmer basis, bowever, a ULCC cargo of 320,000 tons obtained a rate of Worldscale 40 between the Gulf and the Red Sea on a charter from the Exxon oil group of the US.

Much of the interest in the market has been concentrated on the medium-sized tankers of 80,000 or 125,000 dwt. Owners have increasingly been switching such vessels from the West African loading areas to the Middle East, as the market has picked np.

Activity in the Mediterranean and Caribbean was high during the week. For ships of around 50,000 dwt, rates of up to Worldscale 122.5 were paid between northern Europe and the US, and Worldscale 142.5 between the Mediterranean and the US.

On the dry cargo market, business was slack, with no change in the recent depressed rate picture.

Decision soon on Polish car plant bids

By Christopher Bobinski in Warsaw

A FINAL decision is to be taken soon between rival bids for expansion and modernisation of Warsaw's FSO car plant between Fiat of Italy and the Japanese consortium led by Daihatsu, according to Mr Edmund Pietrzak, FSO managing director.

FSO has been producing a Fiat 1,500cc saloon car for 19 years and in 1983 started talks with various Western producers about a new five-seater 1,200cc model for the home market and export to the West.

Mr Pietrzak, who has just returned from talks with Fiat in Turin, rates Fiat's chances of securing the agreement highly.

However, last week the Japanese consortium was in Warsaw offering to cover the hard currency cost of the project with a Japanese government credit.

FSO estimates that the hard currency input on the project will be $150m (£100m) and Fiat has also managed to arrange credits combining government as well as commercial loans.

Daihatsu is Japan's smallest automobile producer, with annual sales of around 50,000 in Europe. If the Poles agree to its offer, this will be the first time a Japanese car company has gone into a major production agreement in Eastern Europe.

Hambros in export finance scheme

ANOTHER UK bank has set up a short-term export finance scheme to fill the gap left by the decision of the Export Credits Guarantee Department to phase out its bankers' guarantee facility, our World Trade staff writes.

Hambros Bank is offering to provide up to 90 per cent of post-shipment finance to companies holding ECGD policies who have a turnover of at least £1m and who want to borrow £250,000 or more.

Israel leads drive to boost E. Mediterranean tourism

BY ANDREW WHITLEY IN TEL AVIV

A SHARP decline in the number of tourists visiting the Eastern Mediterranean following recent terrorist-related violence in the region, has prompted Israel to ask Greece and Egypt — with both of whom relations have always been cool — to take part in joint efforts to combat the trend.

Israel and Egypt have both been hit badly by the large number of Americans who have decided to stay away from the region. Greece is less vulnerable, but is nevertheless concerned about the absence of the usually big-spending American tourists.

Greece's realisation that there is a common problem led last week to the first visit by an Israeli Minister to Athens in 14 years.

The visit by Mr Avraham Sharir, Israel's Tourism Minister, led to the signing of a bilateral tourism agreement under which the two countries will act jointly to promote tourism in the region.

A similar effort has been mounted with Egypt, through the framework of the long-running talks on the Taba border dispute. But here Israel has had less success.

Yugoslav order for Canada

BY BERNARD SIMON IN TORONTO

THE CANADIAN subsidiary of the US energy equipment supplier Combustion Engineering and the Yugoslav engineering concern Minel-Kottogradnja have won a C$235m (£123m) contract to deliver two 350 Mw boilers to the Yugoslav coal mining company Reik Kolubara for a new coal-fired power station 30 miles south west of Belgrade.

The sale will be partly financed by a complex countertrade transaction in which Combustion Engineering Canada (CEC) has agreed to arrange the purchase of unspecified Yugoslav components, commodities and construction services.

The contract makes CEC the first North American company to supply utility-size steam generators to Yugoslavia. Other bidders included companies from Czechoslovakia and Western European countries.

World Economic Indicators

TRADE STATISTICS

		Mar. 86	Feb. 86	Jan. 86	Mar. 85
UK £bn	Exports	5.733	6.186	6.255	6.828
	Imports	6.871	6.524	6.116	7.822
	Balance	−1.138	−0.338	+0.140	−0.999
Japan $bn	Exports	17.624	15.084	12.775	14.523
	Imports	10.964	11.156	10.907	11.333
	Balance	+6.660	+3.928	+1.868	+3.190
US $bn	Exports	18.913	17.735	17.006	16.330
	Imports	33.435	30.225	33.465	30.107
	Balance	−14.522	−12.490	−16.459	−13.777
France FFrbn	Exports	69.10	73.87	76.33	84.84
	Imports	71.70	73.79	72.87	85.12
	Balance	−2.60	+0.08	+3.46	−0.26
		Feb. 86	Jan. 86	Dec. 85	Feb. 85
W. Germany DMbn	Exports	44.41	45.90	45.45	44.52
	Imports	36.86	36.91	37.83	39.17
	Balance	+7.55	+8.99	+7.62	+5.35

Top judges attacked over tax legislation

THE INSTITUTE of Directors has attacked Britain's top judges, accusing them of usurping parliament's law-making powers, writes Raymond Hughes, Law Courts Correspondent.

A report by the institute's taxation committee complains of a growing tendency for the Law Lords to make tax law in the guise of interpreting Acts of Parliament.

This, the report says, has thrown tax legislation into uncertainty and is contrary to the freedoms enshrined in the British constitution.

The report calls for a block on judges' law-making powers and for steps to achieve the kind of situation that exists in the US, where taxation policy is publicly discussed.

The institute calls for the setting up of a working body of Inland Revenue experts representative bodies to see if taxation legislation restoring certainty can be agreed.

□ BARRISTERS are holding their first ever conference today and tomorrow in London. The conference will open with an address by Lord Hailsham, the Lord Chancellor, against whom the Bar recently won its case for consultation and negotiation over criminal legal aid fees.

Lord Hailsham is expected to speak in favour of continuing the division between barristers and solicitors in the face of calls from some solicitors for a moderation of the split through common training. But he is not expected to say anything about the discussions on legal aid fees.

□ SIR REX HUNT, Governor of the Falkland Islands during the 1982 Argentine invasion, has attacked Labour Party proposals for talks on the future of the islands. Sir Rex said the proposals, contained in a report by Mr George Foulkes, Labour's Latin America spokesman, would mean Britain could "say goodbye to the Falkland Islands." The report, which is not yet official Labour Party policy, suggests talks on the islands' future between Labour leaders and islanders ahead of the next general election.

□ MOST BRITONS working abroad say they are well satisfied with their lifestyle and count themselves financially better off, according to an informal survey by Expats International, the London-based service organisation for English-speaking expatriate staff worldwide.

About six out of 10 respondents say they would sign on again when their contracts – mainly lasting two to four years – end. About 5 per cent describe their lifestyle as only "tolerable" or "poor."

□ UNDERWRITING room in the new Lloyd's of London building has opened for business just over five years after construction by Bovis began. The building, designed by Richard Rogers and Partners, fulfils the prime requirement of a single underwriting room that has been a feature of all Lloyd's homes from its origins in a 17th century coffee house.

□ SHORT BROTHERS of Belfast have announced a multimillion dollar sale of three 360 advanced commuter aircraft to the US North Carolina airline CC-Air. The aircraft will be operated in the livery of the Piedmont Commuter System

Government may alter pay calculations

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT is considering altering the way its average earnings statistics are calculated because it feels they may no longer accurately reflect earnings movements in the economy.

Any change in the compilation of the figures is likely to prompt further hostility from Labour and trade union analysts.

They have been highly critical of the Government's changes in the unemployment figures, accusing the Government of altering the methodology of the statistics in order to try to disguise the true and growing level of unemployment.

The method of arriving at the monthly unemployment figures has been changed on six separate occasions in recent years.

Ministers, led by Mr Nigel Lawson, Chancellor of the Exchequer, have made clear their exasperation with current pay settlement levels at a time of rapidly falling inflation. Any move to reduce the official earnings figures by changing their compilation would lead to criticism from opposition groups that the move was being made simply to disguise the fact that pay deals were refusing to follow inflation downwards.

However, a review of the official earnings figures has been instituted within the Department of Employment, which has responsibility for their compilation and publication.

For more than two years, the official figure for the underlying rate of change in average earnings over the previous 12 months has in the main stood at 7.5 per cent, with occasional flurries to 7.75 per cent and on one occasion to 8 per cent.

In the same period, the seasonally adjusted figures have ranged much more widely, going as high as 10.1 per cent, but no lower than 5 per cent.

Ministers are becoming increasingly convinced, mainly on the basis of sporadic, often near-anecdotal evidence, that earnings around the country are not rising either at anything like these levels, or even at the level put by the official figures as the underlying rate of change.

● Ucatt, the construction industry union, has accepted a settlement worth about 5.2 per cent on basic rates for more than 500,000 private-sector building workers.

The union says that the offer is worth about 5.7 per cent, once increases to bonuses, overtime, and fringe benefits are added in.

Unions to intervene over airline stalemate

By David Brindle

SENIOR UNION officials will this week step in to try to break the deadlock created by a tight result in a pre-strike ballot among 6,200 British Airways (BA) engineering and maintenance staff.

The stalemate over BA's two-year pay and job flexibility offer to the staff reflects the problems that can be created by legally required industrial action ballots, conducted across several unions.

After separate votes were held by all unions representing the engineers, the aggregate result was 2,532 in favour of action and 2,687 (51.5 per cent) against. The turnover was about 84 per cent.

The overall result disguises starkly contrasting votes by the individual unions; the Transport and General Workers' Union, for example, returned a majority of 61 per cent for action while the Amalgamated Engineering Union voted clearly against after the union's national executive had gone over the heads of shop stewards and recommended acceptance of BA's offer.

There were also variations between the main BA base at London, Heathrow, which returned an overall majority for action, and the regional airports and depots, which voted strongly against.

UNION CRITICISES TUC AND LABOUR PARTY STRATEGY

BT public control plans 'unlawful'

BY DAVID THOMAS, LABOUR STAFF

SOME proposals being discussed by the Labour Party and the TUC for bringing British Telecom back under public control would be unlawful, according to the Society of Telecom Executives, the middle management union in British Telecom.

The STE has written to Mr Norman Willis, TUC general secretary, warning him against proposals being considered by both the Labour Party and the TUC for regaining public control of British Telecom without full-scale renationalisation.

After taking legal advice, the STE has told Mr Willis: "The inescapable conclusion is that the only sensible policy to pursue is one that results in a 100 per cent return of BT to the public sector."

The Labour Party and the TUC, both of which are preparing policy statements for their autumn conferences on how to bring British Telecom back under public control, are considering a two-stage approach.

The first stage would involve actions which could be taken immediately by an incoming government without legislation.

These actions might include using the Government's shareholding in British Telecom to replace its board; activating powers given to the Trade and Industry Secretary in the 1984 Telecommunications Act; and amending British Telecom's licence.

However, the STE letter warns the TUC that using the Government's shareholding to replace the British Telecom board would probably fall foul of section 459 of the 1985 Companies Act. This enables a shareholder to obtain an order preventing conduct of a company's affairs which is against the interests of some group of shareholders.

Similarly, the STE says, even if a Labour Government succeeded in appointing directors to its liking, those directors could not under company law bind themselves to act as the Government wished. They would become personally liable for actions which were not in the best commercial interests of the company.

The STE argues that the Secretary of State has no powers under the 1984 Act to intervene in the day-to-day business of British Telecom.

The STE also criticises the idea of amending British Telecom's licence.

Energy agency attacks cheap gas policy

BY MAX WILKINSON, RESOURCES EDITOR

THE International Energy Agency has criticised British Gas's policy in recent years of passing on to consumers the benefits of cheap supplies from the southern North Sea.

A report on the outlook for the world's natural gas supplies published yesterday by the Paris-based agency, says there is a danger of future shortages unless prices are *maintained at adequate levels*. The agency believes the world would have enough reserves of gas to supply its needs at least to the end of the century if adequate investment is made in exploration and development.

However the report, prepared before the recent slump in oil prices, acknowledges that it could be difficult to maintain investment at adequate levels in a period of falling energy prices.

In Europe, it says an early decision to develop the Norwegian Troll field could be very important to ensure Europe's future supplies of natural gas. The field could provide 10 to 15 per cent of Europe's expected demand for 40 years.

The report warns though, that "development of the Troll field would entail high financial exposure and risk for participants."

Decisions on this and other needed developments will depend to a large extent on the pricing and tax policies adopted by governments and the major utilities, says the report. If incentives to develop new supplies were too low, Europe would become relatively more dependent on supplies from the Soviet Union and Algeria. Even with increased imports from these sources however the projections suggest Europe could start running short of natural gas within the next 10 to 15 years on pessimistic assumptions.

The agency says it is highly important for the matching of supplies that gas prices should be set at a level which makes it competitive against other fuels after allowing for transmission costs. Prices also need to be high enough to encourage exploration.

For this reason, it condemns the practice of pricing natural gas to reflect past costs of production. As producers exploit smaller fields with deeper wells and in more difficult terrain, costs are bound to rise, it says.

Natural Gas Prospects published by the International Energy Agency, 2 Rue Andre Pascal, 75775 Paris Cedex 16.

Maxwell aims to shake up cable TV

By Our Financial Staff

MR ROBERT Maxwell has announced plans for a reorganisation of British Cable Services (BCS), the cable television company which he bought in January last year for £9m from Rediffusion. The plans involve a reorganisation of the company's structure and a change in senior management.

A senior management team from the leading US cable operators Viacom will be joining the BCS operation in July on a contract basis. They will answer directly to Mr Brian Cowgill, deputy chairman of Mirror Group Newspapers (88).

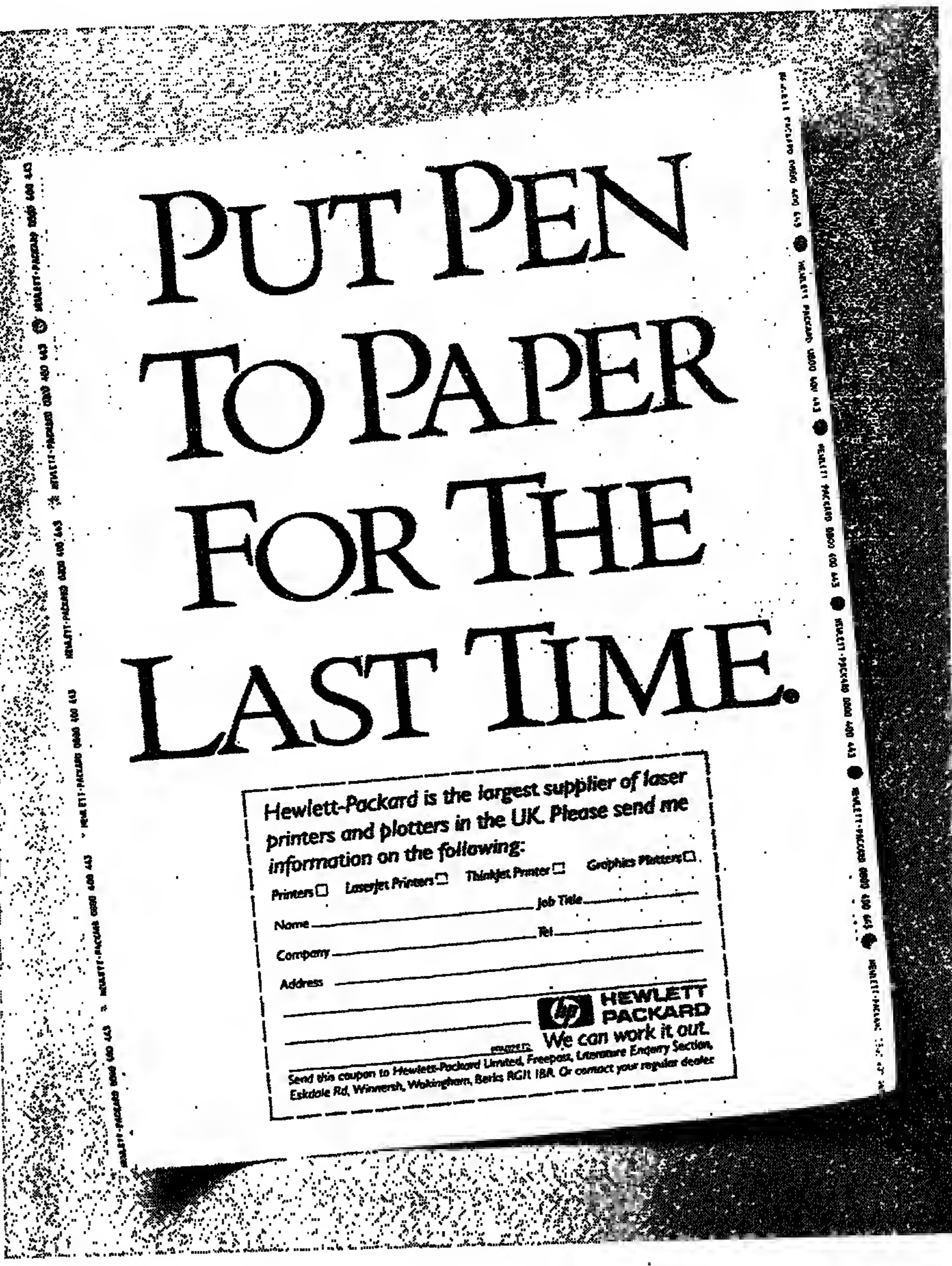
As a result the present managing director of BCS, Mr Chriss Medd, will now concentrate on the development of new cable franchises.

Announcing the proposed reorganisation over the weekend, Mr Maxwell said the aim was to make "viable" over the next two years the old and existing cable and relay systems which have been incurring "significant" losses and to develop new cable franchises.

He intended, he said, to give cable services in Britain, which had been "painfully slow" to develop and "terrifically expensive" to run, a "kick up the pants."

He would do this, he added, by engaging proven "successful international marketing and management expertise," as represented by the Viacom team.

Mr Maxwell is the single most important investor in cable television in the UK. In addition to the old BCS networks in 40 towns, he has been awarded new franchises in Guildford, Surrey, and the Cardiff area and has applied for others at Southampton.



SPORT AID LOOKS TO HOWE FOR INITIATIVE

Race organisers urge Africa boost

FINANCIAL TIMES REPORTER

AS MONEY flows in from the Race Against Time, the biggest sporting event in history, the organisers hope their efforts will be crowned tomorrow by an announcement at a special session of the United Nations of a major initiative to help Africa.

The Sport Aid organisation said yesterday the race might well bring in more than the £60m raised by the Live Aid pop music concerts. "But money isn't everything, the message to world leaders is also important," said Mr Nick Cater, the organisation's spokesman.

"It was delivered by the 20m people who took part in the race. It is about individuals showing the politicians that they care about Africa."

Mr Cater said more than £8m had already been raised in the UK from merchandising, donations and pledges. Sponsorship in the UK would double that figure.

The estimated 1m people who took part in the race in the UK were now waiting to hear what Sir Geoffrey Howe, Britain's Foreign Secretary, had to say at the UN special session tomorrow.

"It will be his reply to Sport Aid, to our petition of blistered feet, and we are very worried we will be disappointed by his response. But we hope that he will announce a big initiative to help Africa."

Proceeds from the race, which involved 278 cities across the world, will be shared equally between the Band Aid Trust, the organisation set up by Mr Bob Geldof, the pop star, to fight famine in Africa, and the United Nations Children's Fund (Unicef).

Sport Aid urged those who had taken part to pay the money as quickly as possible. "There are 14,000 children dying every day, and Africa needs the money now, not when the sponsorship forms are full." He said the organisation wanted people to form queues outside banks and post offices on Tuesday.

Many of the Sport Aid volunteers were given paid leave of absence by their employers. For others, the only tangible reward was the white denim jacket given to all the volunteers. The legend on the back of the coat reads: "I worked for Sport Aid – and all I got was this lousy jacket."

Time for new initiative Page 14

Companies find skilled labour in short supply

By Michael Prowse

THERE is a severe shortage of skilled workers in some parts of the UK, according to a survey of regional business conditions published today.

The survey, conducted by the Association of British Chambers of Commerce, says that 79 per cent of companies in the Thames Valley, up to 50 miles west of London, reported difficulty in finding skilled manual workers, 57 per cent difficulty in finding office staff and 50 per cent difficulty in finding other manual workers.

In the West Midlands, despite the high unemployment, the survey found that 50 per cent of companies were having difficulty recruiting skilled manual workers. In London and the south-east of England the figure was 37.5 per cent. In Merseyside, north-west England, however, the skill shortage is much less intense with fewer than 8 per cent of companies experiencing difficulties.

In spite of the skills shortages, the association concludes that the outlook for employment is still dismal. It says that there was a 7 per cent decline in domestic orders between the last quarter of 1985 and the first quarter of this year. This was only partly offset by a 7 per cent increase in export orders.

The survey, which covered 3,000 companies in manufacturing, services and distribution, says that businessmeo regard the high level of real interest rates as the main factor impeding economic recovery.

'NEVER HAD IT SO GOOD' CLAIM SPARKS ROW OVER UNEMPLOYED

Lord Young criticised by MPs

BY KEVIN BROWN

LORD YOUNG, the Employment Secretary, was at the centre of an escalating political row over unemployment yesterday as senior Conservative MPs attacked his claim that "the country has never had as good a time as it has today."

Lord Young's claim, in the course of a television interview, angered backbenchers on the left and right of the party and overshadowed his suggestion that the level of unemployment was about to fall.

The Employment Department tried to play down the row by insisting that Lord Young was referring to the general standard of living, productivity and output, and was "as concerned as ever" about unemployment.

But his comments were regarded by backbenchers as particularly ill-timed in the light of major redundancies last week at British Rail, British Caledonian and elsewhere, and the Government's attempts to present a compassionate image io response to Labour's gains in local elections earlier this mooth.

Lord Young conceded that the Governmeot would face criticism if it was not seen by the electorate to be doing something about unemployment, but he urged voters to judge the Government's performance against that of other countries.

He said the future lay in service industries such as tourism rather than in manufacturing and urged the children of unemployed railway and shipyard workers: "Do oot try to look for the world your parents worked in – look for the world in which you've got the opportunity for jobs."

Lord Young said unemployment had risen in the light of a fast-growing working population, "but I think we are going to see it coming down."

He added: "The country has never had as good a time as it has today. It is growiog strongly. There is only one opinion poll, and we are some way away from it. Let that judge."

The most senior backbench Conservative to criticise Lord Young was Mr Francis Pym, sacked as Foreign Secretary in 1983 and who leads the 30-strong Conservative Centre Forward Group.

Mr Pym said: "For some people this is a true remark. But the people who are causing all of us such concern are the unemployed and those people living in the regions of the country where there has been no increase in prosperity."

Another Conservative MP, Mr Robert Hicks, said: " It amazes me that a senior Cabinet minister, who is purported to be a very close adviser to the Prime Minister, should make these commeots at this time."

Mr David Mudd said: "Some might argue we have never known it so bad."

Labour Party leaders were quick to exploit the Conservatives' embarrassment over Lord Young's remarks.

Mr John Prescott, the shadow Employment Secretary, said: "If Lord Young had made that remark in the 1930s, he would have been lynched. Things are no better today, and this remark shows the character of the Thatcher Governmeot in the 1980s."

Mr Gerald Kaufman, the shadow Home Secretary, said Lord Young's comments were "typical of the arrogance and complacency of Mrs Thatcher's Government."

Mr Kaufman said: "These sleek Tory ministers are certainly having a good time, but at the expense of the rest of the people of Britain."

Lord Young's comments followed an admission by the Prime Minister that unemployment was "a most difficult problem" and a broad hint that the next general election might be delayed until mid-1988 – the last possible date.

Mrs Thatcher said she was not "thinking in terms of an early election." She added: "We can go right up to July 1988, if I thought that was best."

Her comments conflicted with previous hopes that the Government would go to the country in May or October next year, but they are in line with the known preferences of some Cabinet ministers to see out a full five-year term.

Foreign groups 'conform to UK industrial relations style'

BY DAVID THOMAS, LABOUR STAFF

FOREIGN-OWNED engineering companies in Britain conduct their industrial relations in the same style as British-owned companies, according to the Engineering Employers' Federation (EEF).

The EEF surveyed a section of its 461 foreign-owned member companies which employ more than 100,000 people, some 10.8 per cent of total employees within the EEF's membership.

The survey was part of the EEF's evidence to the House of Commons select committee on employment which is inquiring into the industrial relations practices of foreign-owned firms.

The EEF concluded that its foreign members generally do not receive direction from their pareot groups on pay, pensions, conduct and style of industrial relations, and attitudes to trade unions.

Parent companies' policy tends to be that employment and industrial relations matters are best handled on the spot without day-to-day interference.

The EEF argues that there is no need for any special initiative by the Government to monitor or regulate the industrial relations policies of foreign-owned companies in the UK.

Hazel Duffy writes: Government participation in a programme to improve and expand management edncation and development could result from the commissioning today of a comparative study of management training in France, Germany, the US, Japan and the UK.

Professor Charles Handy, visiting professor at the Loodon Business School, has been commissioned to carry out the study by the National Economic Development Office (NEDO), the Manpower Services Commission (MSC) and the British Institute of Management (BIM). He has been asked to report by December 1.

The decision marks the coocern expressed earlier this year by Mr Paul Channon, Secretary for trade and Industry, the IBM and others oo two aspects of management education. This was that too few managers receive specific training and that Britain has too many approaches to the task.

The commissiooers of the study believe that the different approaches towards managemeot educatioo in the countries to be studied give their businesses a competitive edge over the UK.

The involvement of the MSC, which administers the Government's jobs and training programmes, indicates its intention to become more involved in professional-type training.

Mr Geoffrey Holland, MSC director, has said that he believed there was no serious commitment to management development and training in Britain.

Prof Handy and his team will seek to evaluate the approach of each country to management training in the context of that country's own overall approach to securing industrial and commercial success. It will consider particularly the responsibilities assumed by employers and managers themselves and by governments, educational and professional bodies and the scale and nature of the contribution which each provides.

Lancet urges caution over cancer claim

By David Fishlock, Science Editor

EARLY euphoria over the use of beams of neutrons as a treatment for certain cancers has not been substantiated, according to The Lancet, the leading UK medical journal.

Enthusiasm for neutron therapy for cancer followed results claimed by the Hammersmith Hospital's cyclotron unit in Londoo, funded by the Medical Research Council. Neutrons are large, electrically neutral, nuclear particles.

However, the Medical Research Council's neutron therapy research group analysed 11 years of results by the London team, and another unit in Edinburgh concluded that there were substantial differences in their results and their techniques.

The Lancet said it was difficult to be optimistic about the value of oeutron therapy for the types of cancer for which particular success had been claimed – tumours of the head and neck.

UK NEWS

Peter Marsh looks at the problems of growth in science-based industries

High-tech disturbs the tranquillity of Cambridge

THE FLAT, rural landscape around Cambridge, in eastern England, is populated by a higher density of small, science-based companies *than* anywhere else in Britain. It seems a long way from the desolate urban areas of the industrial north of England in which factory closures and unemployment present massive social problems.

The difficulties of Cambridge, too, are very different from those of the other areas. They are bound up not with industrial contraction but with the management of high-technology growth. One problem concerns how Cambridge can fit in the *continued expansion* of the science-based companies with the wish to *preserve* the city's tranquil environment.

A second issue for Cambridge, which with its surrounding villages boasts about 400 scieoce-based businesses, most of them *small*, is how to channel management and fi*nancial* resources to its existing companies to ensure that a sufficient oumber of them cope with the difficulties of rapid growth.

The high-tech companies specialise in such disciplines as electronics, medical and engineering products and *scientific instruments.* Most of them have been formed in the past decade as a result either of "spin-offs" from existing enterprises in the city or of activities at Cambridge University's computing and engineering departments.

Despite the highly publicised problems of Sinclair Research and Acorn Computer, two of the Cambridge area's best-known companies, both of which have been *forced to restructure drastically* in the past year due to financial pressures, there is *no sign* that the Cambridge boom is letting up.

About 30 companies are starting up around Cambridge aach year, putting pressure oo the limited number of industrial sites in the region. A further pressure is the desire by large, established concerns to set up bases in Cambridge to take advantage of the ideas flowing out of the small high-tech businesses. *IBM*, Schlumberger, Marconi, Logica and Napp Laboratories have all begun such operations in receot years.

According to Segal Quince Wickstead, a company of consultants in Cambridge, high-technology companies in the area employ about 16,000 peoples, or ooe in eight of the total workforce. Roughly half the jobs are in the region's few big science-based companies – these include Pye, Cambridge Instruments, Marshall, Ciba-Geigy and Cambridge Electronic Industries – which are expanding employment *only slowly if at all.*

Enterprises employing fewer than 20 people account for about two thirds of the science-based companies, but only for about one in 10 of the high-tech workforce. It is these enterprises which are growing *at the highest rate*, expanding their workforce at about 30 per cent a year.

Related to the growth in science-based industry is the setting up in the city of management services organisations such as accountants and *venture-capital companies.*

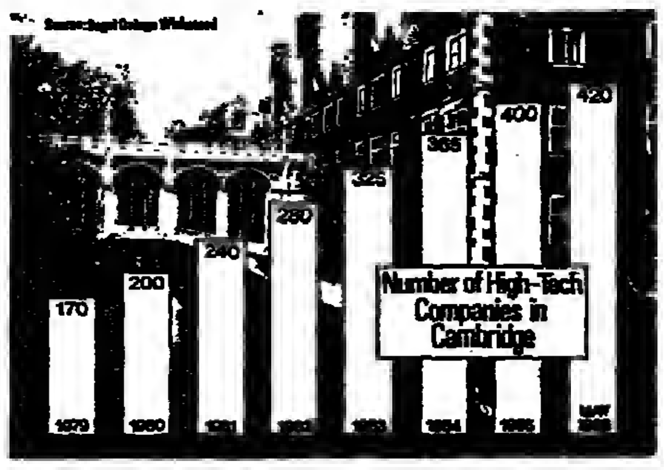
These bodies are channelling ex*pertise to the existing companies* to help them with the problems experienced by small, fast-growing concerns, according to Dr Keith Haarhof, who is in charge of the Cambridge office of Singer and Friedlander, the merchant bank.

Dr Haarhof says he notes a "growing maturity" on the part of the small companies. *If* anything, according to observers, Cam*bridge's prospects as a place* where companies can not only start up but thrive have been helped by the problems of Acorn and Sinclair.

Both companies were widely perceived to have had first-rate technical ideas but to have been short on *marketing* skills. Sinclair was forced to sell its computer business to Amstrad, the company's arch rival, while Acorn had to be rescued twice by Olivetti of Italy.

"The difficulties these companies faced brought it home very sharply *that technically minded academics* are not necessarily the right people to run businesses," says Dr Philip Gaffney, managing director of Seescan, a small instruments company in Cambridge.

Dr Gaffney, an academic himself who started his company two years ago, says that people in his position are now more likely to seek advice from management consultants, on aspects such as marketing, rather than plunge ahead by themselves.



In recent months, the calm of the university city has been disturbed in a debate over just how much expansion is either possible or desirable. Cambridge and its outlying villages, with a total population of about 250,000, is suffering a growing shortage of houses for the affluent scientists and engineers being recruited to the area.

While house prices are shooting up at about 20 per cent a year, the citizens of Cambridge are also complaining about traffic congestion, another side-effect of industrial expansion. *It is generally agreed that* the problem has increased considerably in the past two years.

"If growth were allowed to happen in an unplanned way, Cambridge would become *diabolical,*" says Mr Bill Wickstead, a partner in Segal Quince Wickstead. The debate over industrial expansion has been caused by the revision of the structure plan for the county of Cambridgeshire, a process due to be completed by next spring. The planning departments of the county *council and the two district authori*ties involved – Cambridge city council and South Cambridgeshire district council – have to liaise to decide how much land to allocate for industry, along with such matters as new roads and houses.

Because of a space shortage for further growth, builders may be forced to turn increasingly to the *outlying areas for* land for housing estates and industrial sites. Such *developments*, according to some, could ruin the quality of life in the area, one of the main factors that influenced the growth of the high-tech concerns in the first place.

These views are shared by Mr Malcolm Boston, managing director of Tecvac, a small engineering company in Stow-cum-Guy on the outskirts of Cambridge. He says that, rather than bring new companies to the region, planners would do better to provide a fleet of helicopters to fly the brainiest employees of existing enterprises to other parts of the *country where their skills* could be used.

Observers of the high-tech industry in Cambridge say that it is unrealistic to expect more than a few of the small companies to develop into large concerns of an international stature.

Most of the Cambridge high-tech companies are "essentially problem solvers" dealing with a limited range of *products*, according to Mr Gordon Montgomery, associate director *of* Cambridge Capital, a financial-services company in the city.

Many of the companies which evolve beyond this stage will probably end up as subsidiaries of much bigger concerns, says Mr Montgomery.

Wider role forecast for actuaries in general insurance

BY ERIC SHORT

INSURANCE COMPANIES operating in the UK will at some stage be required to have the adequacy of the reserves on their general insurance business approved by an actuary in a similar manner to the actuarial certification on the reserves for their life business.

This prediction was made by Mr Bill Abbott, an actuary with the Legal and General Group, at a recent meeting of the Institute of Actuaries. It highlights the growing involvement of actuaries in general insurance business in the UK.

For well over a century, actuaries have been fully involved in the financial operations of UK life assurance and company pensions business. They are required, under insurance legislation, to certify that the reserves for long-term life and pensions business are adequate to cover the liabilities and that long-term assets will meet the solvency requirements.

Actuaries in the UK have no legal responsibilities, however, regarding general insurance operations. Until recently actuaries had little professional involvement in UK general insurance business, even in those composite insurance groups which employ actuaries for their life assurance activities.

It is now a statutory obligation in many countries, including Italy, the Netherlands and Canada, for the actuarial certification of general insurance reserves in returns made to the central authority. It is this development on which Mr Abbott bases his prediction that actuarial certification is on its way in the UK.

Actuarial training was until recently based solely on the requirements of life assurance and pension operations. Nevertheless, that training, which covers a variety of disciplines, provides a firm basis for actuaries to operate in the general insurance field. The actuarial examinations have been extended to include direct training in general insurance matters.

Over the past two decades, general insurance firms have been employing actuaries as specialists in handling general insurance matters. Such actuaries have formed their own informal professional association, the London Market Group. Three years ago, it had only a few members. Now it has a membership well in excess of 20 actuaries employed in the London general insurance market.

Even Lloyd's syndicates have started to look to the actuarial profession for specialist expertise, and at least two syndicates now each employ an actuary. The Council of Lloyd's, the London insurance market, recently commissioned a leading consultant actuary specialising in the general insurance field to report on reserving levels for non-marine Lloyd's syndicates.

Opinions differ widely between actuaries on how far they can take their role in general insurance operations. Some hold the view that ultimately their position will be as important as at present in life assurance operations. However, other actuaries totally involved in the London market emphasise that in no way can the actuary replace the underwriter — who will remain supreme in the general insurance world.

But they feel that the actuary, with his ability to handle and interpret a mass of data connected with a risk, can make a valued input into the underwriting decision. Underwriters are finding risks becoming more complex to handle and are backed by a considerable volume of statistical information. The actuary, with his statistical training, can handle this data, carrying out normal fluctuations from underlying trends.

In many respects, actuaries have an important role to play backing the underwriter in determining the premium to be charged for a risk. On the subject of ascertaining the necessary reserves for general insurance business, many actuaries are questioning methods used by insurers.

There are well-established and acceptable procedures for assessing the financial viability of life companies. The basis on which general insurance liabilities are assessed is rarely stated in the published statutory returns. This paper also asserts that no specific account is taken by general insurance companies of the suitability of their assets to match expected liabilities.

The insurance industry has taken the initiative in developing a statement of recommended practice for general assurance accounting. This will go some way towards meeting these objections, but Mr Abbott wants the actuarial profession to adopt general guidance notes for actuaries handling general insurance business.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
National Home ... Leisure Show — LIFESTYLE (021-222 9341) (until June 1) ... NEC, Birmingham
Fine Art and Antiques Fair (01-385 1200) (until June 7) Olympia

June 3-5
Northern Electronics Exhibition — ELECTRONORTH (0892 36685) G-Mex Centre, Manchester

June 3-6
International Chemical and Process Engineering Show and Conference — EUROCHEM (01-891 9051) NEC, Birmingham

June 7-8
International Air Fair and Trade Exhibition (0959 71111) Biggin Hill

June 8-12
Shop Equipment and Display Exhibition, including Point of Sale—SHOPEX INT (01-868 4499) Olympia

June 11-21
Grosvenor House Antiques Fair (0799 26699) Grosvenor House, W1

June 22-26
Institute of Leisure and Amenity Management Conference and Exhibition (0491 873558) Harrogate

June 24-26
Advanced Materials Conference and Exhibition (01-868 4466) Wembley Conference Centre

June 25-27
Property and Construction Management Exhibition (01-995 5003) Barbican Centre

July 1-5
International Production Engineering and Productivity Exhibition and Conference PEP (01-891 5051) Olympia

July 5-10
International Satellite and Cable TV Exhibition and Conference — CABLE (01-868 4486) Met. Exbn. Hall, Brighton
Education, Training and Personnel Development Exhibition and Conference (01-637 2400) NEC Birmingham

July 14-17
International Water Exhibition and Conference — WORLD WATER (0923 778311) Olympia

OVERSEAS TRADE FAIRS

May 26-30
Automated Manufacturing Conference and Exhibition—AUTOMACH 86 (US) (313 271 1500) Sydney

May 28-June 4
Mechanical Handling Machine Tool & Products Exhibition (01-439 3964) Paris

June 2-6
Retail and Distributive Exhibition — RETAIL EUROPE (0734 794161) Amsterdam

June 10-13
International Banking and Finance Services and Technologies Exhibition — TECHNOBANK (0494 775444) Geneva

June 11-15
International Wine Festival — VINOVA (01-977 4551) Vienna

June 10-16
International Rubber and Plastics Exhibition (01-486 1951) Beijing

June 24-28
Radio and TV Trade Fair (01-734 0543) Frankfurt

BUSINESS AND MANAGEMENT CONFERENCES

May 26-30
International Advertising Association: World advertising congress (Chicago (312) 644 5997) Chicago

May 27-29
Banking Association of Ticino and City of Lugano: International banking symposium (01-281 9321) Lugano

May 28-29
FT Conferences: Telecommunications and the European business market — planning tomorrow's trade routes (01-621 1355) Hotel Inter-Continental, W1

May 28-29
FT Conferences: The 1986 Motor Industry Conference — vehicle distribution and marketing (01-621 1355) Geneva

June 2-3
Avmark International's annual conference on European aviation. European liberalisation and its effect on aircraft demand and values (01-821 6788) Tara Hotel, W8

June 9-10
FT Conferences: World Electronics — Strategies for tomorrow's markets (01-621 1355) Hotel Inter-Continental, W1

June 12
The Institute of Petroleum: Sources of information for the offshore industry (01-636 1004) New Cavendish Street, W1

June 16
LSE: Energy supply options in the case of the UK (01-405 7686) London, WC2

June 18-19
FT Conference: World gold in 1986 (01-621 1355) Hotel Inter-Continental, W1

June 18
Institute of Directors: UK companies — the revenue offensive (01-839 1233) 116 Pall Mall, SW1

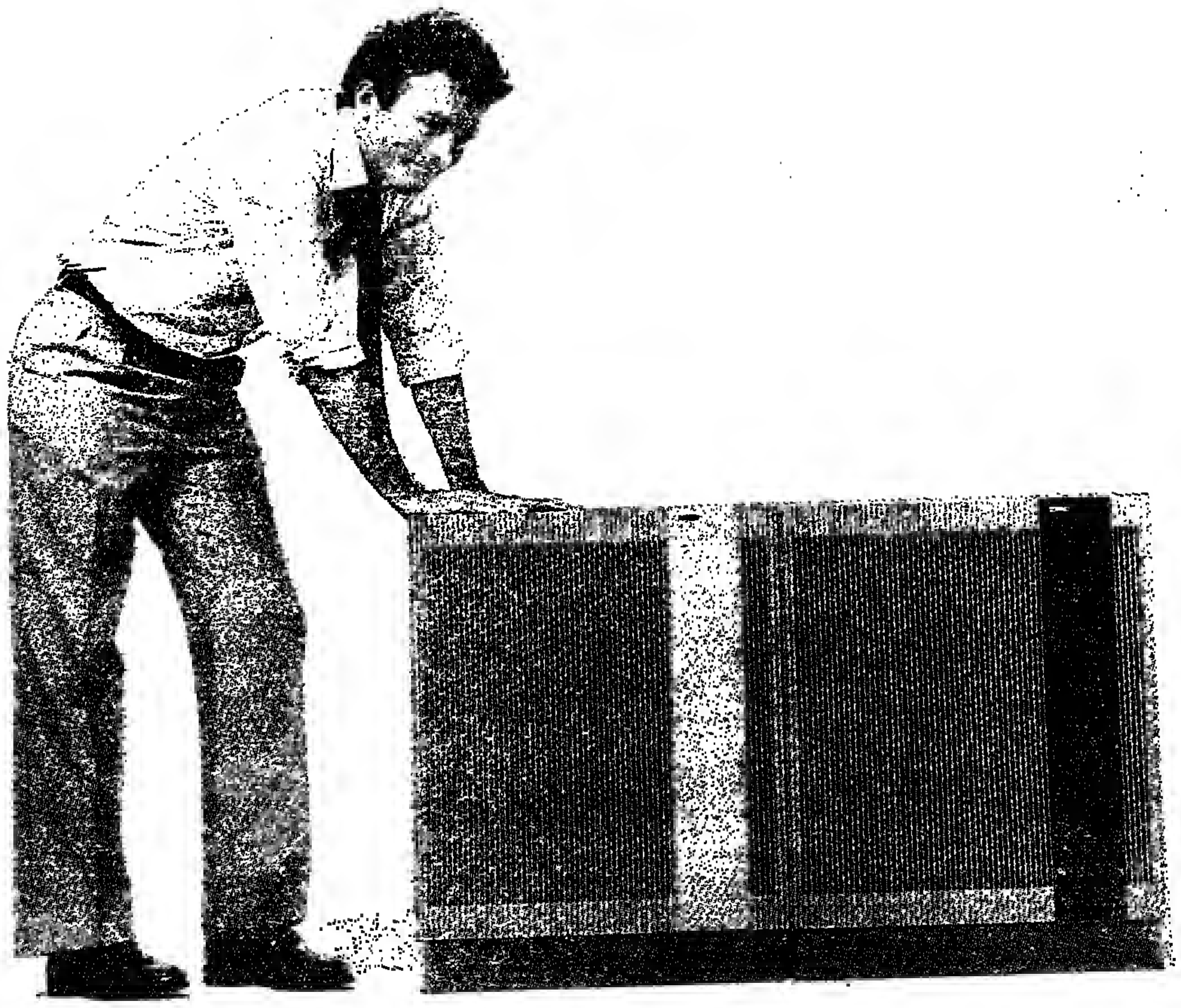
June 18
RIPA: Government and the private sector (01-222 2248) London Business School, NW1

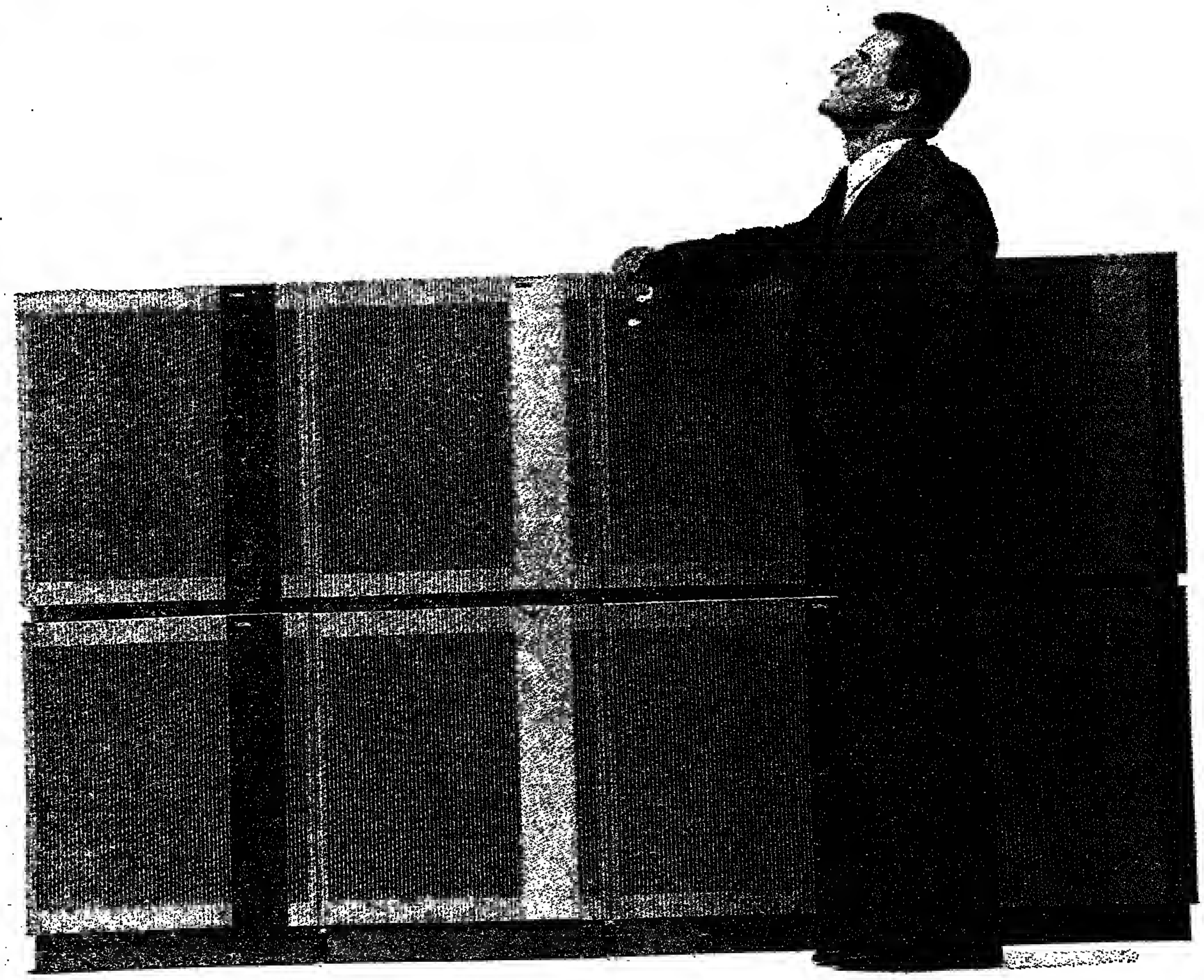
June 18-20
1986 World Congress on Management Development (0224 45838) Royal Lancaster Hotel, W2

June 25
Dun & Bradstreet: How to handle letters of credit (01-377 4433) Holiday Inn, London

August 26-28
FT Conference: World aerospace to the end of the century (01-621 1355) Hotel Inter-Continental, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.





THE ARTS

A Little Hotel on the Side

B. A. Young

All Feydeau farces work on the same principle. In Phase One an assortment of respectable people starts unrespectable liaisons. In Phase Two, these liaisons lead to the comic series of errors in which the characters intended to meet one another meet instead the most embarrassing of others. In Phase Three, all is tidily packed up.

In *A Little Hotel on the Side* (John Mortimer's title for his translation of *L'Hotel du libre échange* at the Bristol Old Vic), Pinglet, a building contractor, is anxious to seduce the wife of his neighbour Paillardin, an architect. Pinglet's wife, who has to be out for the night, takes the precaution of locking her husband in; but Pinglet has a rope ladder, as any decent French husband should have.

When he and Marcelle Paillardin arrive at the hotel, who else should be there but Paillardin's student nephew Maxime, with Victoire, the Pinglets' maid; Mathieu, a friend of the Pinglet's who has a bad stammer when it is raining, and his four schoolgirl daughters; several other guests with several comic characteristics; and ultimately half a dozen policemen sent to investigate a report of immoral conduct.

With such material, plus a haunted bedroom, Feydeau and his collaborator Desvallieres could hardly fail to produce: Phase Two full of action. Phase Three, with so many individuals to account for, not to mention Pinglet, who has had a driving accident, goes on rather a long time. One knows exactly what has to be done, and it ought to be done more dextrously.

There is only one rule in directing Feydeau, and John David, whose last production at Bristol this is, has kept to it almost impeccably, almost because of a dotty joke about the French names. They are all properly pronounced except Pinglet, who is made to rhyme with "singlet." You see, it sounds like "piglet." But neither in Mortimer's script or the playing of Davyd Harries is there any suggestion this Parisian bourgeois deserves such a comparison.

Mr David has arrayed all his best forces. I wish I had space to name them all. John Elvery has designed a handsome drawing room with only three doors (but of course a window); and for the all-important Act 2, a hotel interior with a hall, two bedrooms, plus another that we can't see into. This has no difficulty in accommodating all the embarrassments the authors lay on it.

Laurie Anderson/Hammersmith

Andrew Clements

Though she seems to draw ever nearer to the common currency of rock, Laurie Anderson's music still remains rooted in the performance-art tradition that she followed in the 1970s. The gap between her early recordings with John Giorno and William Burroughs, and the slick Nile Rodgers production of "Language is a Virus" on her latest album might seem enormous, but her live shows demonstrate how skilfully she has managed to combine minimalist processes and rock-based material into a very marketable package.

When she last appeared in London two years ago it was to present her mammoth, one-woman show *United States*. For her dates at the Odeon Hammersmith over the weekend—carefully labelled as "Performances," not concerts—the point of reference was her recent film, *Home of the Brave*, the soundtrack of which forms the basis of her most recent record. Songs from the film were well represented: the mixture of gentle social comment, electro-acoustic gadgetry and affectionate parodies of pop clichés, cunningly integrated with video and stage effects, is saved from ever seeming pretentious by the perfectly judged humour, the precisely aimed satire that knows just when to stop.

Old material was integrated alongside new, perhaps explaining the title of the show, "Natural History." There was the inevitable "O Superman," and reworked versions of "Big Science" and "Sweaters," whose backing vocals and proliferation of keyboards made one remember the original sparer, more detached versions with some wistfulness. The superb "Gravity's Angel" is perhaps the best example of Anderson's ability to write a potentially commercial song without letting go of the individuality of her approach to words and music, while in "Smoke Rings" (from *Home of the Brave*) the virtuosity with words is as sharp as ever: "What is more macho, a lightbulb or schoolbus?"

There is no one quite like Anderson; she straddles the two cultures more convincingly than anyone, and does so with a panache and visual flair that is captivating. It's hard to imagine anyone else taking on her material; the personality is indissolubly wedded to the music, and it stands or falls by her delivery. At the moment it seems to be standing pretty high.

Ballet Rambert jubilee plans

The Ballet Rambert will celebrate its diamond jubilee with a three-week season at Sadler's Wells from June 12-28.

Under its new artistic director, Richard Alston, the company will present seven works new to London including four world premieres from choreographers Michael Clark, Ashley Page, Ian Spink and Christopher Bruce. The three London premieres are by Richard Alston (two) and company dancer Mary Evelyn.

The season will open with a special 60th Birthday Performance which the Queen Mother will attend. During the season there will be an exhibition of photographs of the Ballet's founder—"Marie Rambert the Dancer"—in the Dress Circle Bar.

Award winner to paint Cardinal Hume

Jeff Stultiens, the winner of the 1985 John Player Portrait Award, has been commissioned by the National Portrait Gallery to paint a portrait of Cardinal Basil Hume as part of his prize. The commission is worth £1,500. The picture will become part of the National Portrait Gallery's contemporary collection.

Youth and Music cushion concerts at the Academy

Youth and Music and W. H. Smith are putting on four concerts at the Royal Academy of Arts, where for £3.00 concert-goers can visit the summer exhibition as well. A series ticket for all four is £10. The concerts are on Thursdays from June 26.

Architecture/Colin Amery

Good omens for future DOE policy

As Mr Nicholas Ridley follows on from Mr Kenneth Baker's short innings as Secretary of State for the Environment there is hope for a flowering of Ministerial interest in architectural affairs. It is the first time that the Secretary of State has had such an impeccable architectural pedigree.

He is the grandson of that great architect, Sir Edwin Lutyens, and was brought up in a house of no mean architectural distinction, with a fine garden layout by Lutyens. He must certainly be the first Environment Secretary to have slept in his cradle under those whimsical chandeliers that Lutyens designed for his daughter and for the Viceregal nurseries at New Delhi.

These auspicious beginnings make him the ideal candidate for a continuation of the policies of less aesthetic control from Planning Committees and a continuation of the marked revival of enlightened architectural patronage that has commenced in the last few years.

When he looks out of his window on the top floor of the Department of the Environment in Marsham Street it will probably strike him that London is seeing a rebuilding boom on an unparalleled scale. To the east lies the Dockland, still the great missed architectural opportunity of our times.

Nearer his office, in the centre of London, Charing Cross, two major chunks of Trafalgar Square, the South Bank and parts of Piccadilly Circus, are all being redeveloped. In the City, sites around St Paul's, the Mansion House, Liverpool Street and the whole of Spitalfields Market are waiting to adopt new plans.

The growth of a new kind of financial market in the City has created the need for a new type of office building that demands high ceilings and large areas of floor space. James Stirling is demonstrating the new kind of contextual architecture that could set a promising pattern for the future of the high-density city.

In the housing world Mr Ridley could do worse than look at some of the community housing initiatives in Liverpool and Glasgow. As the maintenance and renewal of the majority of the public's housing built in the 1960's is the Government's major problem, the Minister would do well to consider the encouragement of ownership trusts that inspire a sense of responsibility in tenants. In architectural terms the future for public housing must be the abandonment of the isolated ghetto and the re-integration of public and private housing. As Secretary of State Mr Ridley has his own world of Government patronage.

He could encourage the raising of architectural standards in the Property Services Agency and speed up the removal of their deadening influence from our national museums and galleries. In their anxiety to speed up the planning process it is to be hoped that the new minister will see the vision of Thatcherite Britain as something more than a rash of hypermarkets and business parks. It is the future of our cities that needs the kind of enhancement that an architecturally committed minister can bring.

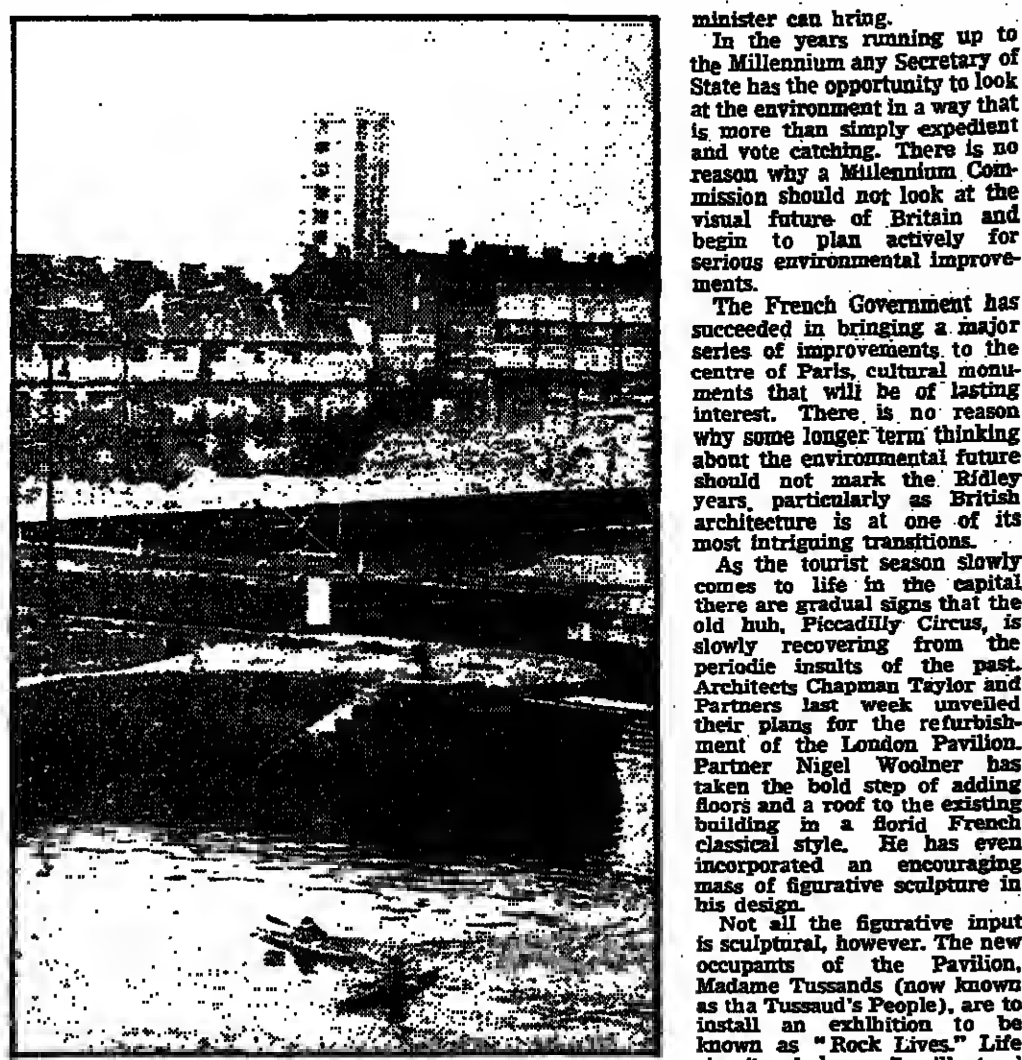
In the years running up to the Millennium any Secretary of State has the opportunity to look at the environment in a way that is more than simply expedient and vote catching. There is no reason why a Millennium Commission should not look at the visual future of Britain and begin to plan actively for serious environmental improvements.

The French Government has succeeded in bringing a major series of improvements to the centre of Paris, cultural monuments that will be of lasting interest. There is no reason why some longer term thinking about the environmental future should not mark the Ridley years, particularly as British architecture is at one of its most intriguing transitions.

As the tourist season slowly comes to life in the capital there are gradual signs that the old hub, Piccadilly Circus, is slowly recovering from the periodic insults of the past. Architects Chapman Taylor and Partners last week unveiled their plans for the refurbishment of the London Pavilion. Partner Nigel Woolner has taken the bold step of adding floors and a roof to the existing building in a florid French classical style. He has even incorporated an encouraging mass of figurative sculpture in his design.

Not all the figurative input is sculptural, however. The new occupants of the Pavilion, Madame Tussauds (now known as the Tussaud's People), are to install an exhibition to be known as "Rock Lives." Life size "rock heroes" will stand on the balconies of the restored building as a potent lure for the pop faithful. Eros will have to withstand the constant unblinking gaze of perennially waxen rockstars.

While the restoration and enhancement of the London Pavilion itself is to be applauded, what should be questioned is the rapid spread of uses for old buildings and older parts of our cities that are entirely *ersatz*. It is to be hoped that Mr Ridley will breathe some new life into the inner cities and not continue the process of petrifying so much of the country as an exhibition of the past.



Dockland is one of the great missed architectural opportunities of the decade—can Mr Ridley inspire a more creative approach?

The Orphan/Greenwich

Michael Coveney

The scene of Thomas Otway's Restoration tragedy is "Bohemia" and Philip Prowse, renewing his fruitful association with Greenwich, has set his production in a high-walled classical garden of tombs, stone drapery, trailing ivy and a curious array of scythes, brooms, tools and hoes. Here the retired courtier Acasto encourages his twin sons to study arts and hunt boar, eschew politics and the society of women.

But Castalio and Polydore are champing at the bit, for half the youth of Europe is at war. Two years later Otway placed a tale of triangular passion, *Venice Preserv'd*, in a broader political context. Here the youthful headlong expressions of lust, incest and domestic rivalry are charged by the melting presence of the fair beauteous orphan, Monimia, whom Acasto has taken into his house. The two noble kinsmen both love her, but Castalio, like his Chaucerian antecedent, claims he saw her first. He is also the technically senior of the twins.

The measured, supple verse is laid out in a basic scheme of iambic pentameters, with many delayed and judicious rhymes. But the dangers of this immediately attractive tragedy—not seen in London, I think, since the Phoenix Society's version in 1924—lie in its grossness of mood changes. Prowse and his cast solve this by simply playing the text, heavily cut (no Serina, Acasto's daughter, nr. following Betterton's tradition, opening scene) to the hilt. Polydore dupes Castalio with a bed-trick, stealing the wedding night signal of "three soft strokes" to invade Monimia's chamber.

Ciaran Hinds has brought Sian Thomas's superb [illegible] the pitch of justified expectation but, when his knocks are spurned, Polydore already about his business, he descends into a moonlit rant against women in general and Helen, Cleopatra and Eve in particular. For the hooded couple, there is only a prospect of death and insanity. A final quartet of [illegible] complication is completed by Monimia's returning soldier brother Chamont, whose [illegible] is identified with that of his sister and expressed in a [illegible] dream of her supposed inconstancy.

For years at the Glasgow Citizens home-base, Prowse has been demonstrating the 17th century connection between Jacobean and Restoration drama (the RSC is belatedly following suit at the Swan) and his cast is expertly tuned in to a declamatory style both vivid and acceptable to modern sensibility, though Tristram Jellinek's Acasto could be more resonantly authoritative. Paul Rhys is a fine, impetuous Polydore.

The later scenes are played in an almost [illegible] trance of disbelief, Mr Hinds sustaining a drooping figure of grief while Miss Thomas, one of our most talented and underrated actresses, rings some astonishing emotional changes between sexual gratification and lyrical despair, setting her face in a grim, suicidal blank stare. The [illegible] of day are carefully graded in Gerry Jenkinson's exquisite lighting, the [illegible] inimitably good as we expect from this director.

Murray Perahia/Festival Hall

David Murray

With an altered programme on Friday — a Chopin group instead of the advertised Schubert sonata, and the third of Beethoven's op. 31 sonatas instead of the second — Perahia's recital was short. The encores made amends: a lovely ripple through the A-flat Impromptu from Schubert's op. 90, and a lightly brilliant Mendelssohn *Rondo Capriccioso* that gathered extrovert power and dash. In the recital proper, those qualities had begun to surface only in Chopin; the bigger pieces earlier had made do (and very well) with the refined winsomeness and delicate charity that are Perahia's hallmarks.

It is tempting, and quite usual, to set the tone of Beethoven's E-flat Sonata by its rumbustious Scherzo. Perahia made the Scherzo bright and poised instead, keeping it neatly within the charming expressive scale of his outer movements (not much *con fuoco* in the Presto finale, but superlative fleetness). The effect was of chamber-playing, not of miniaturisation — he registered all the musical points too exactly to let the music seem reduced.

That was almost true of Berg's one-movement Sonata, which Perahia explored with bated-breath sympathy. There was still room to think that Berg's clangorous writing at climaxes proposes a grander dynamic range than he allowed. Any such reservations about his Schumann G Minor Sonata melted in the face of his elegant, cogent directness. More romantic and fuller accounts of the Sonata leave its progress seeming elusive (which it is); in Perahia's hands it was taut and shapely, with a rapidly lyrical Andantino and—quite cool—a terrific final Presto.

Perahia's choice of Chopin [illegible] was almost too Perahia-ish to console us for the cancelled Schubert: just the pretty Impromptus, and of all the Ballades the gracious, appealing Third. But the A-flat Impromptu had a teasing, straight-faced glitter, and the F-sharp expanded marvellously into its demisemiquavers, the G-flat was unexpectedly gentle and serious, and the Fantaisie-Impromptu sharply purposeful. That and the Third Ballade were full-scale dramas (though Perahia pressed the long run-up to the Ballade peroration so eagerly that he sacrificed suspense), and full of delectable detail. It would still be nice to have him return to some less ingratiating repertoire: long ago, after his Leeds win, he gave the best performance I've heard of Bartók's Sonata, and I wish he would keep up more of that.

Double bill/Old Red Lion

Martin Hoyle

Islington is even richer in fringe theatre than Hammersmith and Fulham. West London may boast Riverside Studios and the Bush; the north counters with the indispensible Almeida, the venerable King's Head and the adventurous Old Red Lion. The last-named pub theatre is presenting a double-bill by woman writers—one American, one British, as befits the mid-Atlantic Janus-like stance of the Theatre La Beet company.

Antony Ward's set paints the walls with sun-flooded horizontal bands of green, blue, orange and yellow, and adds a bed for *I've Been Running* by Clare McIntyre; and a rock, plus rubber lizards, for *Condy and Shelley go to the Desert* by Paula Cizmar. Terry Johnson, better known as one of the brightest of young playwrights, directs.

The perpetual worrier, the idealist nagged by her own inadequacies, real or imagined, the introvert betrayed or tolerated by uncomprehending and easy-going friends and lovers, is a figure common to both plays. In the first, Cess jogs compulsively as she makes lists or thinks of her childhood. In a long opening monologue she describes the release that physical action brings from the prison of her mind.

Time moves back and forwards. Cess watches her younger self (a doll) comforted by her mother. To explain the little girl's tears the woman launches into a speech about women that brings in female aviators, film producers and Boadicea. To the zany discursiveness of such observations as "It's not that women are illogical and irrational—there would be no decent breakfast otherwise," Helen Cooper brings the funny, bright-eyed unstoppability of the obsessed. Ultimately one sympathises with the adult Cess's long-suffering boyfriend in his bewilderment; and resents an abrupt and enigmatic ending, as the heroine strides purposefully off-stage with a hammer in search of liberating action. But the tone is consistently light, unpretentious and entertaining. The author, an actress, has a good ear for off-beat but convincing dialogue.

The eponymous townees who face nature in the raw with the usual trappings of suntan, dark glasses and cold cream in *Candy and Shelley* are New Yorkers. Their horror at being stranded in the sun-baked wilderness thanks to an overheated radiator is sharply chronicled, and takes in squeamishness, erotic fantasies, panic at a troupe of passing motorcyclists, and recrimination at sexual betrayal. Zara Weil lacks punch and attack as the put-upon Candy, practical in her khaki shorts and grubby sneakers. Tottering in high-heels, poured into her blue denim matador pants, Charon Bourke (excellent as Cess) makes a resilient Shelley, the eternal adapter and opportunist. Nick Dunning's bike-boy, beneath whose black leather menace there lurks the wimpish Ron ("I'm gonna freckle if I don't get outa this sun") deploys his madly bemused eyes to good effect. The cynical little anecdote might be more pointed; and the pace in both pieces tightened up.

Thalia Myers/Wigmore Hall

Paul Driver

Thalia Myers' piano recital at the Wigmore Hall on Friday curiously interleaved variation sets by Haydn with brand-new pieces by British composers—Alun Hoddinott, David Bedford and Timothy Salter. Her Haydn was gratifying, most sensitively understood: the opening Andante and Six Variations in C was glinting and singing, very stylish, very compactly formed. In the Arietta with 12 Variations in E flat she produced an attractive, discreetly inflected, always strong-boned result, and there were occasional due moments of sumptuousness.

The first of the specially commissioned pieces, coming incongruously between these two Haydn works, was a Hoddinott piano sonata, nothing less than his eighth. It got itself going with coarsely impressive octave-reliant chords, which returned several times after intervening and nondescript figurations. The harmonic idiom is recognisably the composer's, but hardly appealing in its superimposition of adjacent notes which makes a parody of Messiaen's sound. The slow movement was very tranquil and relaxing because so vacuous; the Con brio finale a scurry of octaves and a splashing of easy loud chords. The whole thing might have been written in a morning; it was musical candy-floss, melting npon aural contact.

More sympathetic was David Bedford's *In Memoriam* (whom?) — a short and full statement, simply fashioned out of steady repeating left-hand harmonies and filigree patterns of notes for the right, becoming more conventionally tonal as it progressed, and reminiscent in its sum of the solemner Chopin preludes, perhaps even the *Raindrop*. Timothy Salter's *Perspectives* (Set Two) was a rather discursive, worthy essay, capable of making a hard hit but, as it were, with a blunt instrument. Miss Myers played it carefully and with conviction.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 23-29

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Don Giovanni brings Ashley Putnam, Pilar Lorengar, Lenus Carlson and Rüdiger Wohlers together. La Gioconda is a Filippo Sanjust production. Maria Slatnaru makes her debut in the title role. Zar und Zimmermann is a well done repertoire performance. (34 381).

Cologne, Opera: This week's highlight is Tristan und Isolde with Rene Kollo and Gwyneth Jones. The week also features the premiere of Gilbert Deflo's production of Cendrillon with Ann Murray in the title role. *Kathleen Kuhlmann* is a *splendid* Carmen. (2 07 61).

ITALY

Milan: Teatro Alla Scala: Pelleas et Melisande by Debussy conducted by Claudio Abbado and directed by Antoine Vitez. Includes Frederica von Stade, John Broecheler, Nicolai Ghiaurov and Alfredo Giacomotti. (Wed). (80 91 26).

Venice: Teatro la Fenice: Verdi's Attila conducted by Gabriele Ferro with Samuel Ramey and Maria Chiara. (71 01 61).

Naples: Teatro San Carlo: Barber of Seville conducted by Bruno Bartoletti and directed by Roberto de Simone with Margarita Zimmermann. Mikael Melbye, Frank Lopardo and Enzo Dara. A co-production with the Aix-en-Provence festival (41 82 66).

LONDON

Royal Opera, Covent Garden: Thin pickings indeed. Even the prospect of a starry line-up for Carmen including Agnes Baltsa and Jose Carreras, hardly compensates for the lack of any othar opera throughout the week. (240 1066).

English National Opera, Coliseum: Splendid variety – Fledermaus, Doctor Faust and Birtwistle's The Mask of Orpheus provide something for most tastes, as well as two operas that go well beyond the usual limits of the medium. (836 3161).

PARIS

Cinderella, in a contemporary version by Peter Maxwell Davies, conducted by John Burdekin and interpreted by young performers for a young audience at the Opèra Comique (4296 0611).

Trisha Brown Company dances Lateral Pass, Group Primary Accumulation and Set and Reset in Robert Rauschenberg'a decor. 93 Bobigny, Town Center, Bld Lenine, Metro Pablo Picasso (4274 2277).

NETHERLANDS

Amsterdam, Stadsschouwburg. Fidelio performed by the Netherlands Opera and directed by Harry Kupfer, with the Netherlands Philharmonic under Edo de Waart. Luana DeVol as Leonore, and Günter Neumann as Florestan (Tue). (24 23 11).

Eindhoven, Schouwburg. Opera Forum with Tchaikovsky's Eugen Onegin directed by Jan Rouws and conducted by Alun Francis, with soloists Thea van der Putten, Hein Meens and Henk Kreukniet (Tue). (11 11 22).

VIENNA

Staatsoper: La Gioconda conducted by Fischer with Marton, Semtschuk, Lilov, Domingo; Tannhäuser conducted by Klobucar with Secunde, Martin, Sima; The Barber of Seville conducted by Zedda; Cavalleria Rusticana and I Pagliacci (53 24/26 55).

Volksoper: Der Opernball conducted by Bibl; Polenblut; Die Fledermaus; Der Zarewitsch (53 24/26 57).

NEW YORK

New York City Ballet (New York State). Lincoln Center (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth MacMillan, John Taras, David Gordon and Karole Armitage, which join the repertory that includes The Nutcracker, Don Quixote, Giselle and La Bayadere. Ends July 5. (362 6000).

WASHINGTON

Stuttgart Ballet (Opera House): The two-week visit will include the full-length Eugene Onegin choreographed to Tchaikovsky by John Cranko, Bejart's Gaîté Parisienne and the local premiere of John Neumeier's A Street Car Named Desire. Ends June 8. Kennedy Center (254 3770).

TOKYO

National Opera of Paris Ballet (including: Florence Clerc, Sylvie Guillem, Francoise Legree, Patrice Bart, Laurent Hilaire, Patrick Dupond). Salomé, Bolero (Wed); Pas de Deux, Bolero (Thur). N.H.K. Hall. (723 2356).

Antonio Gades: The renowned Gades company from Madrid in their flamenco version of Carmen in month's tour of Japan. Shinjuku Bunka Centre (Thur). (235 1661).

Saleroom/Antony Thorncroft

Settling old scores

It's e week for prying into the secrets of the dead in the auction houses. On Thursday Christie'a disposes of the contents of a recently uncovered black tin deed box. It belonged to the literary publisher George Smith and contains letters from many of the great 19th century lions.

There is one from Dickens which is e memorial to the recently deceased Thackeray, and comments on his "mastery of the English language." In fact Dickens and Thackeray were great rivals, and did not speak for five years. This in memoriam to the anthor of Vanity Fair carries a top estimate of £3,000. Highest price in the group should be around £6,000, paid for the autograph manuscript of Mrs Gaskell'a novel "Sylvia's Lovers": no major manuscript by this anthor has appeared on the market.

Sotheby'a disposes of its manuscripts, many of them musical, tomorrow. The most important item is a rare 60-page autograph manuscript by Schubert which could sell for £200,000, as should Wagner's piano arrangement, in his own hand, of his overture to *Tannhauser*. Morbid items include locks of the hair of Weber and Liszt and a piece of the curtain from Wagner's death-bed (£100 or so).

Einstein's passport might raise £2,000, and Colette's script for the 1949 version of the film *Gigi* has a £5,000 top estimate. Proust had his funny moments, and a witty poem dedicated to his friend Reynaldo Hahn carries a £5,000-£6,000 forecast.

Perhaps the most interesting section of the auction is of album leaves, signed by composers. Admirers pestered the great composers to write a quotation from one of their works as early as the 18th century. On offer are the opening bars of *La bohème* by Puccini (very common and only worth around £600); Verdi quotes from *La Traviata* (up to £3,000), and fragments by John Field, Offenbach, Donizetti and Mendelssohn.

Also on Wednesday Sotheby's is holding its first auction of garden statuary and architectural items at its Sussex saleroom near Billingshurst. This is the biggest-ever sale of its kind. Along with such grand items as the black marble staircase which once graced Hamilton Palace in Scotland until its demolition by the Duke of Hamilton in the 1920s, and the George III wrought iron staircase from Ashburnham Place in Sussex, are more rustic lots such as the stone lions and other statuary which enhanced the Knots' Fosse garden of the theatrical impresario, "Binkie" Beaumont.

At Phillips on Thursday two very rare 17th-century hats come under the hammer. One is made of straw and split cane; the other lined with green silk. Accompanying them is a late 17th century black and gilt lacquer hat box, probably Indo-Chinese. A price of np tn £12,000 is anticipated for the trio.

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Tuesday May 27 1986

Wise caution from Delors

AT FIRST sight the plan announced last week by Mr Jacques Delors, President of the EEC Commission, to liberalise capital movements in the Community by 1992 looks almost absurdly slow. Financial deregulation is the fashion of the moment, embraced eagerly in France and Australia, more circumspectly in Japan, and discussed even in Italy; yet the EEC as a group, which already has a core of relative monetary stability in the EMS, *is allowing* a six-year timetable for a process which will still allow controls for balance-of-payments reasons, and may well restrict the freedom of establishment of bank branches. It looks like a caricature of bureaucratic caution.

However, there is a great difference between what one government may be keen to do for reasons of doctrinal conviction, or in a spirit of experiment, and what should be undertaken as a binding commitment by a group of governments—some of them reluctantly. Governments may choose to meet the consequent problems as they arise. Europe, in its slow progress towards integration, cannot risk such setbacks. The signs are that Mr Delors has identified the main difficulties in advance, and that six years may not be any too long to tackle them.

Potential problems

There are three potential problems in a large and disparate zone in which money moves freely. One is the harmonisation of economic management; where policy is drastically misaligned, as the Reagan experiment *is showing, willing* movements of private capital can accommodate gross misalignments in trade and exchange rates, and engender intractable problems in the longer term.

Here Mr Delors judges that the experience of EMS membership — and indeed of the UK's periods of effective shadow membership — have done a great deal to produce convergence in macroeconomic management. However, some of the smaller members, such as the Irish Republic, and all the new entrants are only at the beginning of this learning process. Even within the EMS two of the three major economies have controlled capital movements in the past, and one still does.

If money balances as well as long-term capital are to move freely — a step still on the future agenda for Mr Delors — it will be necessary to develop something like a central monetary policy. Certainly there will have to be a fresh look at the various forms of monetary targetry now practised; it makes little sense to target the nominal growth of each currency held domestically if any European is free to hold his cash in any European currency. Discussions between the central banks on pooling their doctrinal capital have barely begun.

Safe hands

There remain two much broader problems, both of which seem to have been foreseen. These concern tax incentives and regional policy. The EEC has been able to live reasonably happily with widely differing VAT regimes affecting consumers — though shopkeepers near borders might not share this opinion; but when capital movements are free, harmonisation of corporate taxes may well be more important. The preliminary skirmishes between experts are only now to begin, and 1992 may seem to them a demanding date.

The regional problem is always with us; the point here is simply that freedom of capital movement could make it worse, with the financial centres draining savings away from the poorer regions. Mr Delors seems aware of this danger, and his caution over freedom of bank branch establishment should help to preserve regional centres of saving, risk assessment and lending; and he is soon to announce plans to make more positive use of EEC lending powers to tackle regional problems. It looks as if a programme with far-reaching implications is in safe hands.

Towards better government

THE LATEST report of the House of Commons Select Committee on the Treasury and Civil Service, which no doubt MPs are digesting during this week's parliamentary recess (or perhaps not), is another example of how good such committees can be in unearthing evidence, and how feeble in reaching conclusions.

In this case, the absence of ringing recommendations is probably to be welcomed. The whole business of the machinery of government, which implicitly is what the report is about, is one where it is more important to get the long-term solutions right than to go for instant headlines. Yet the committee is treading on fertile ground, and should tread harder.

The committee chose to inquire into Civil Servants and Ministers: Duties and Responsibilities. Before it began there had been the Ponting case where an official at the Ministry of Defence had leaked information relating to the *Falklands* war, been charged under Section 2 of the Official Secrets Act, and was acquitted in court. While the committee was deliberating, the Westland affair broke out.

Those two events alone are enough to indicate that *all* is not perfect in the relationship between ministers and the Civil Service. There is plenty of supporting evidence: complaints, for example, that morale among civil servants is low, that recruitment is falling at the highest level of ability, that the service is being "politicised" and, on the other hand, that it is too neutral to give full backing to a government that wants to be radical.

More say

It *is* instructive that the principal memorandum submitted to the committee—by Sir Robert Armstrong, the head of the Home Civil Service and Cabinet Secretary—draws heavily on statements by Sir Warren Fisher when he was head of the Civil Service in 1930. The committee finds it odd that the principles of the 1930s are still considered adequate for the 1980s.

Yet the fact is that, apart from the exceptional circumstances of the Second World War when outsiders entered in droves, the Civil Service has never been asked radically to change.

There have been minor modifications, to be sure. Political advisers, whose introduction tended to be frowned upon only a decade ago, have come to stay. The evidence to the committee also suggests that ministers have rather more say than they used to in the appointment of their senior officials. Yet the basic system would still be immediately recognisable to anyone who was around the corridors of power in the 1920s and 1930s.

What may be new is a belief that there is some correlation between the machinery of government and the country's relatively poor performance, economically and politically. Even that statement could be pushing it a bit. The then Mr Wilson talked seriously about administrative reform both before and while he was Prime Minister in the 1960s and Mr Heath for a time seemed a radical innovator when he succeeded him in 1970. Not too much happened.

Active interest

What could be genuinely new, however, is a widespread realisation that this time something must be done. The evidence for this comes from the select committee's report where there was no shortage of witnesses — many of them ex-senior civil servants and former ministers, including Prime Ministers — coming forward to say that the country needs to be better governed. The civil service itself, through its First Division Association, is also taking an active interest in reform. So are the academic institutes and the opposition parties.

In other countries, the US in particular, but also in France, there seems to be more interchange between people in government and those outside. It is quite natural for someone to spend a few years at (say) the Treasury and then go back to academic life or another profession.

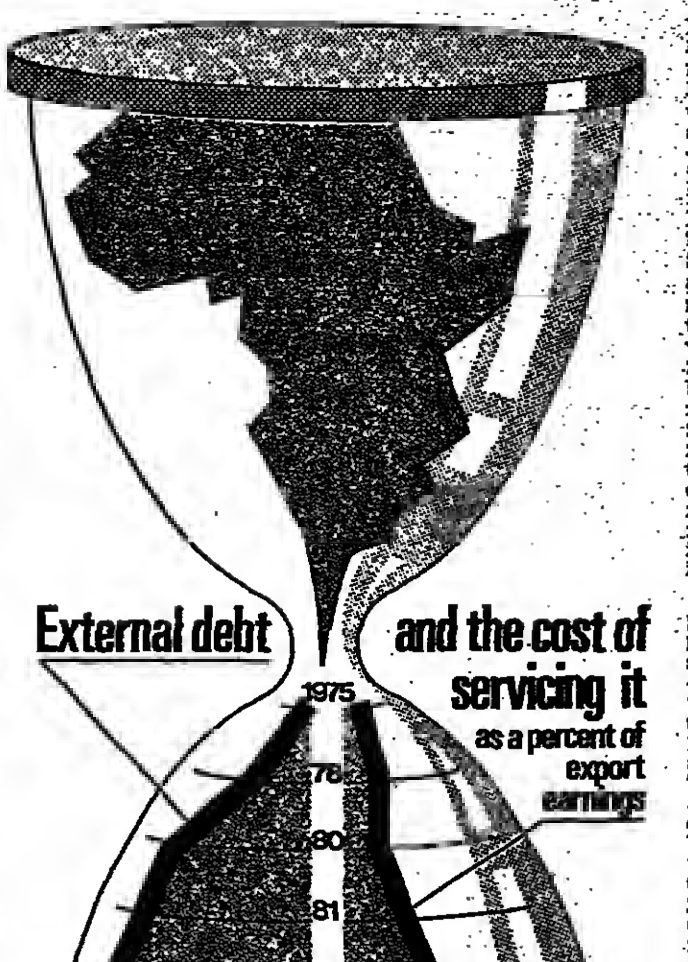
The practice is very underdeveloped in Britain. Yet it is precisely the idea of greater interchange that both the select committee and Sir John Hoskyns in his recent paper from the Institute of Directors seek to encourage. Both of them lean towards enhanced private offices for senior ministers that would include political advisers, outside *experts* and *professional* civil servants. Ministers might then have more control over what their department was doing.

It is not the only way for reform. The political parties too, will have to become less amateur, just as the Civil Service will have to adopt modern business methods. But the important matter is that the debate on how to secure better government has begun.

AID TO SUB-SAHARAN AFRICA

Time for a new initiative

By Tony Hawkins in Harare



TODAY THE UN General Assembly opens a special session on sub-Saharan Africa. It could legitimately be an occasion for some expression of relief, since economic prospects look brighter than they have since the 1970s. Food production has recovered in the wake of good rains, coffee prices have firmed and oil prices have fallen sharply. But much of the rain continues to fall on arid soil; the region as a whole, encompassing some 44 countries, is poorer today than it was at the end of the colonial era 25 years ago.

It is unlikely that any of the participants at the special session *seriously expect it to turn* into a pledging session by donors. Expectations are low, especially on the donor side, with hopes that the meeting will ensure improved and closer co-operation by African governments, multilateral and bilateral donors and commercial banks in promoting sub-Saharan economic growth.

Sub-Saharan Africa presents the most formidable contemporary challenge to the development community. It is the one region of the developing world where population growth is both high and accelerating, where the investment rate is falling and where resource efficiency is low and declining.

Much academic analysis has been devoted to determining whether inappropriate domestic policies or adverse external and international factors are at the heart of the region's poor performance. While the results of such analysis have been inconclusive, the World Bank has drawn a distinction between resource availability on the one hand and efficient use of resources on the other. It concluded that per capita incomes declined during the 1970s when the investment ratio was high (averaging 22 per cent of GNP for the 13 countries accounting for the bulk of investment) and when the terms of trade improved. In other words, it was the inefficient use of resources, rather than inadequate resources, that was to blame.

In 1981, in the first of four World Bank reports dealing with Africa's development problems, the principal author, Elliott Berg, while taking international difficulties into account, focused on the domestic policy shortcomings which he—and others—believed lay at the heart of poor economic performance. Berg called not just for major domestic policy reforms, including privatisation and reduced state intervention, greater emphasis on agricultural production and attention to "getting prices right"—especially the exchange rate—but urged African leaders to adopt an export-led growth strategy underpinned by a doubling in the level of real aid to Africa by the end of the 1980s.

Although African leaders were initially extremely hostile to the Berg report's domestic policy focus, over the past five years more and more governments, pushed and prodded by the Bank, the IMF and bilateral donors, have grasped the nettle. According to Mr Mark Edelman, the US aid assistant administrator for Africa, 14 countries have substantially increased crop prices paid to farmers, 11 are in the process of reforming or divesting state-owned enterprises, 11 are committed to reduce government spending levels, 10 have devalued their currencies, eight have reduced subsidies on consumer goods, while seven have decontrolled some or all consumer prices. Indeed, when the World Bank established its special facility for sub-Saharan Africa last year, it was thought that only about eight countries would qualify on the grounds of having adopted appropriate policy reform packages. But already the number has doubled to 17.

Even so, all is far from well on the domestic policy front. Thus, by late 1985, the effective exchange rate for low-income Africa was still 15 per cent above its 1972 levels—in marked contrast to the substantial exchange rate depreciation undertaken by developing countries in Asia and Latin America.

While incentives for farmers have improved, the producers' share of the international price of farm exports remains too low. For coffee, cocoa and cotton, farmers in the main exporting countries in 1984 received only half the cash raised in export markets by their products; for coffee in Madagascar the figure was as low as 20 per cent. While many governments are working to rationalise their public sectors, doubtful projects continue to be funded, says the 1986 World Bank report ("Financing adjustment with growth in sub-Saharan Africa.") It criticises "ostentatious universities, overdesigned highways, luxury sports stadiums and uncompetitive agro-industrial ventures." And to make matters worse, often these are funded by donors in response to political requests.

But if African governments are trying to meet their side of the bargain with domestic policy reforms, present indications are that the bilateral donors will fall far short of the Berg aid target. Concessional flows to low-income Africa were "largely stagnant" in the 1980-1984 period, according to the World Bank. Admittedly, this was at a time when worldwide concessional flows were *falling*, so that low-income Africa's share of global aid rose from 19 per cent in 1980-82 to 21 per cent in 1984. But even if the Bank's optimistic assumption of a 30 per cent increase in aid in the 1986-90 period materialises, there will still be a major resource gap of some $2.5bn annually for the 29 low income states in the region.

The Bank suggests that $1bn a year could be provided by the multilateral agencies leaving an extra $1.5bn a year to be met by bilateral donors in the form of additional aid and debt-relief.

While the realism of these projections of enhanced aid flows and expanded debt relief is open to question, given the US budget problems and public spending cuts in most donor countries, there is a growing awareness on the part of donors of a change in the character of the African economic crisis. Whereas in the 1970s, adequate resources were available but were being misused, today there is a very real shortage of resources. By 1984, gross domestic investment in the region had slumped from 22.5 per cent of GDP in 1980 to 14.5 per cent. Over the same period import volumes declined by almost 6 per cent a year. The tightening of the balance of payments constraint is the result of falling export prices, sharply higher debt-service payments and a fall in non-concessional capital inflows.

Actual debt-service payments increased from 7 per cent of exports in 1980 to 25 per cent in 1984 and are forecast to peak at 35 per cent this year; falling to 33 per cent in 1987. The African debt crisis, usually regarded as of limited significance compared with that of Latin America, and treated as such in the Baker Plan, is assuming increasingly worrying proportions, with external payments arrears at the end of 1984 totalling some $10bn. Indeed, during the 1980-85 period only 15 of the 44 sub-Saharan countries, holding 15 per cent of the region's debt, were able to service their debt promptly.

The US Treasury Secretary's plan focuses on 15 middle-income developing countries, mainly in Latin America, which have borrowed heavily from commercial banks. Only two sub-Saharan African countries—Nigeria and Ivory Coast—fit into this category, meaning that in its initial form the Baker Plan offers little to the heavily indebted low income sub-Saharan countries. More important is the proposed International Development Association replenishment (IDA VIII) which would increase the resources of the World Bank's IDA or "low income" window from $10.5bn at present to $12bn by the late 1980s. With 29 of the 44 sub-Saharan countries being eligible for IDA credits, this replenishment, currently being negotiated, could make a major contribution to improving Africa's resource inflow.

Africa's liquidity problems have been accentuated by the build-up of its reliance on shorter-term sources of funding—and especially the IMF—since the mid-70s. Borrowings from the fund were modest until 1979, averaging SDRs 1.1bn annually between 1979 and 1984. This continuous increase in Africa's IMF debt is not only contrary to the image of the Fund as a monetary institution whose resources revolve over time but also implies—as last year—a net transfer of funds out of Africa as drawings are repaid. Indeed, over the next four years, at a time of acute financial stringency, sub-Saharan Africa could be required to repay more than SDRs 1bn annually to the IMF, though the precise extent of these transfers will depend on the level of new borrowing undertaken by African countries.

Although the IMF and the World Bank fulfil separate and distinct roles, with the Fund concentrating on shorter-run balance of payments support and the Bank primarily concerned with long-run developmental issues, in Africa in the 1980s the roles have tended to converge. The Bank has moved increasingly into policy-based lending and structural adjustment programmes, while bilateral donors and even commercial banks have also sought to make their loans conditional on internal reforms.

Against this background, it is hard to see what can be achieved at the special session of the General Assembly. Despite the short-term optimism for a better performance in 1986-87, it is difficult to be optimistic about longer-term prospects. The chances of a substantially enhanced resource flow are slim: commercial banks look to be firmly on the retreat from Africa with Bank of International Settlements (BIS) figures showing a decline in net lending from $6.5bn at the end of 1983 to just over $4bn at the end of last year. The IMF is also out to reduce its exposure. Bilateral donors, constrained politically at home, seem disinclined to step up their efforts to the extent required. As a result, there is some anxiety, especially on the donor side, to avoid overblown expectations. It is in this spirit that some organisations, such as the Washington-based Committee on African Development Strategies, have suggested a list of low-cost, or even no-cost, recommendations.

It is doubtful, however, whether African leaders, having dutifully swallowed some of the donors' prescriptions, are in any mood to listen to still more advice, especially if there is no supportive finance. The African man in the street is becoming understandably impatient and yet he is told that "adjustment" requires still further sacrifice—higher food prices, increased costs of social and government services, and fewer jobs. The donors' structural adjustment programmes are taking a very long time to bear fruit and make it increasingly difficult to ensure continuing political support. When Zambia's President Kaunda transferred his top economic advisers earlier this year, the donor community wondered whether this was a prelude to an economic policy U-turn. But the Zambians have stuck resolutely to their reform package.

On the donors' side, there is an equally understandable tendency to exaggerate the success stories. How else does one account for the enthusiastic endorsement of economic reform in Zambia and Zaire—reforms that offer little prospect of a return to sustained economic growth until the 1990s?

The reality is that, in the medium term, income per head in much of sub-Saharan Africa will continue to decline unless the present trend towards domestic policy reform is underpinned by a substantial improvement in resource availability in the form of aid and private investment inflows and enhanced debt-relief packages. Clearly, there can be no return to positive rates of per capita income growth without a major improvement in import capacity.

Given the likelihood of a further deterioration in the region's terms of trade between 1987 and 1990 and the sluggish demand for primary product exports, an imaginative package of increased aid, debt-rescheduling —and even some debt-forgiveness—is required. On top of that, the private sector in the region should play a bigger part, implying a revival of bank lending and of direct investment flows.

The special UN session offers another opportunity for generating the necessary change in donor attitudes and policies. Additional resource transfers are essential for the World Bank's adjustment-with-growth strategy to succeed. Without these resources, there will be very little growth, thereby putting at risk the region's slow-moving but still crucially important adjustment programmes.

Men and Matters

Patrick's progress

Sir Patrick Sergeant, having stepped out of daily journalism after 25 years as City editor of the Daily Mail, is getting down to *the serious business* of becoming a multi-millionaire.

Sergeant founded Euromoney magazine in a corner of his City office in 1969 with £6,200 capital, and watched it grow into one of the leading specialist publications on banking and international capital markets.

Next week, he embarks on a European road show to drum up support for an offer for sale that values Euromoney at more than £90m.

Most of the equity in Euromoney is owned by Sergeant's former employer, Associated Newspapers. But the ex-Mail man and his colleague, Padraic Fallon, Euro's managing director, can expect to pick up almost £2.8m on the issue, and Sergeant's remaining stake will be worth at least £5m.

Not that Sergeant is short of a penny or two. When still at the Mail and a director of Associated, his annual earnings *regularly overshadowed* those of his board room colleagues, thanks to Euromoney.

But perhaps such bounty is only to be expected for the man who penned the "Inflation Fighter's Handbook."

Banker's dates

Jack Hesse is an American banker *with a lot of confidence* in British science. He expects his board's approval this week for his plans to invest in a new laboratory in Cambridge this autumn to exploit what his US advisers tell him is the best plant science to be found anywhere in the world.

Hesse is a venture capitalist who bought Twyford Plant Laboratories from Guinness in 1982. Twyford, a speculative biotechnology investment by the brewery, was languishing near Glastonbury in Somerset, far from the management mainstream.

With Hesse as chief executive, Twyford has grown rapidly, twinning with a similar facility in Santa Paula, California, last year, and now with *an offshoot* in Malaysia. The money is mostly American, though N. M. Rothschild has a share. But the science is British and will remain rooted in the UK, says Hesse.

Its speciality is micro-propagation of plants of all kinds, from crops to flowers and house-plants. Its techniques promise to cut years from traditional cycles of plant breeding and yield healthier, more productive plants.

Hesse sees Twyford's biggest opportunity yet in date palms. Their fruit is a staple of Middle Eastern diets. But an estimated 100m date palms are threatened increasingly by disease and dwindling yields. He forecasts that Twyford's research to strengthen the tree will come to fruition within 18 months.

Shell shock

The Chernobyl nuclear disaster has finally provoked a reaction from the lethargic and generally marginal French "Greens" and anti-nuclear movements. The two groups managed to rally 5,000 sympathisers in the streets of Paris at the weekend to protest against nuclear power.

Not since the mid-1970s has the nuclear debate provoked such controversy in France. Apart from the general scare caused by the Russian accident and the delay of the French authorities in announcing very minor contamination in some parts of France, there may be more practical reasons for the reawakening of nuclear fears in the country.

For Chernobyl has hit the French snails industry. Indeed, the snails industry is currently suffering from an import ban on supplies of the tiny but highly sought after gastropod from Eastern Europe, especially from Poland. The French authorities claim they have been contaminated by radiation.

Eastern Europe is one of the principal suppliers of the French snail canning industry, and already two establishments in the Dijon area in Burgundy have had to lay off workers because of shortages of the creatures.

Slow to pay

The first issue of Business Today—published by Austin Rover and "devoted to the interests and concerns of the smaller business"—carries a hard-hitting story about companies that are slow to pay their bills.

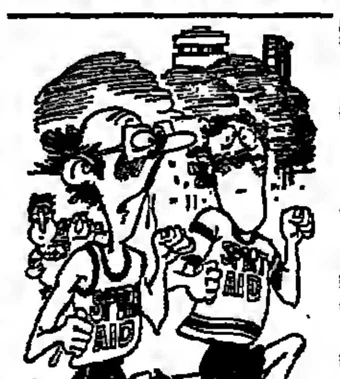
"The Bad Risk Business—slow payers can wipe you out," proclaims the front page headline.

A supporting editorial condemns this "commercial practice" as a "serious drain on the small businessman's resources."

All of which made one reader, Allen Bennett, managing director of Sheffield-based AB Group, blink a little. For his company supplies Austin Rover—and, he says, no other customer is as tardy in settling its accounts.

Austin Rover's best performance, says Bennett, was to pay two months after delivery, its average is three months, and its worst, eight months.

Bennett has now sent details of 16 cases of slow payment to the magazine—and Austin Rover, I gather, is looking into them.



"If I finish the course — my daughter's promised to chuck out all her Bob Geldof records."

Welsh bottle

Enough to make the Russians see red, as a Welshman remarked on discovering that after Smirnoff comes . . . Tafski.

Tafski Imperial Welsh Vodka certainly rolls smoothly off the tongue. "The name has tickled everybody," says its producer, Dafydd Gittins, founder and managing director of the Brecon Brewery.

Gittins, who has already rediscovered Welsh Chwisgi, and concocted a Welsh dry gin and a Welsh cream liqueur, says that the soft water of the Brecon Beacons gives his vodka a smooth, clean taste that should compete well with imported Russian and East European brands.

Advance orders for Tafski amount to some 1,000 cases or about 9,000 litres and the first bottles, priced £6-£6.50, should be in the shops next month.

And after discovering Tafski, what next? Could all those Japanese companies that have come to Wales stimulate a search for a Daisake?

Observer

FOREIGN AFFAIRS

Paying the price of dollar debauchery

By Ian Davidson

AT THE Tokyo summit three weeks ago, the leaders of the seven leading industrialised countries promised an ever-more perfect commitment to the constructive and co-operative management of the world economic system. They would co-ordinate macro-economic policies; they would struggle against budget deficits; they would resist protectionism and fight for trade liberalisation; they would maintain, perhaps increase, aid to developing countries; they would seek greater stability in exchange rates; above all, their ministers would meet more often. It sounded very reassuring.

The trouble is that affirmations of virtuous behaviour have been heard many times before, but have borne very little relation to actual performance. The vast American budget and trade deficits, the gyrations of the dollar, all testify to the yawning gap between rhetoric and reality. If the leaders sound more sincere this time, it is for two reasons: Mr James Baker, the US Treasury Secretary, believes in international economic co-operation, as his predecessor, Mr Donald Regan, did not; and he does so partly because he and the rest of the world are facing the danger of an international trade war driven by protectionist forces in the US Congress.

It may be that the danger will turn out to be less than it seems, and that the war can be averted or at least contained within manageable limits. To head off Congressional pressure, the US administration has adopted a dual policy of carrot and stick: on the one hand, it has helped to bring about the steep fall in the value of the dollar, and is pressing for a new round of trade liberalising negotiations in Gatt; on the other, it has adopted an aggressive stance of its own on the trade front, for example in fierce demands for compensation for the entry of Spain and Portugal into the European Community. But *neither carrot nor stick* prevented the House of Representatives last week from voting, by a heavy majority, which included 59 Republicans, the most protectionist trade bill to have come out of Congress in recent years.

The bill may never reach the statute book—the administration has threatened a presidential veto to prevent it. But it is a sign of the temper of the times and of the pressures facing Congress in the run-up to the mid-term elections.

Ten days ago the Trilateral Commission (which gathers business and other leaders from Europe, Japan and the US), held a plenary meeting in Madrid. Prof Richard Cooper, formerly a high State Department official in the Carter administration, gave a sombre warning of the strength of these pressures: he had never seen, he said, such an ugly mood on trade in Washington. Centrepiece of the Commission's deliberations was a report on *Conditions for Partnership in International Economic Management*. As was to be expected in this body, there was unanimity that such partnership was not merely desirable but essential; yet what I heard from the discussions left grave doubt whether it was feasible, or would even be seriously attempted.

If there is a case for what might be described as constructive anxiety, it was presented by Fred Bergsten, director of the Washington-based Institute for International Economics and another Carter veteran. His thesis, to over-simplify, is that the American political system tends to encourage incoming administrations to pursue economic policies which largely disregard the interests of the *rest of the world*; because of the power of the American economy and the importance of the dollar, it can sustain such policies for far longer than would be possible for lesser countries; but eventually the negative feedback proves so strong that Washington is forced to revert to a more co-operative mode; and generally this more co-operative mode dominates policy — until the next presidential election.

Mr Reagan long pursued a policy of "benign neglect" towards the dollar; like Mr Nixon before him, he has finally been compelled to move back to the middle ground. If the Bergsten thesis holds good, there should now be a window of opportunity for building on the new co-operative mood in Washington, which is reinforced by its fears of protectionism.

There seem to be at least three problems: the numbers look too daunting to admit of any rapid escape from the predicament; we have neither the institutions nor the rules to anchor co-operation between the major players; and two years is a very short time to entrench economic co-operation as a habit of mind, on a basis of improvisation, negotiation and goodwill, before the next presidential election gives us an entirely new cast of characters in Washington.

Dr Bergsten believes that the US *had* been headed for a $300bn current account deficit before the dollar's decline; now, after a 25 per cent trade-weighted depreciation, he still expects a $100bn deficit — indefinitely. Not everybody expects his $300bn figure. But there can be little doubt that protectionism in the US is intimately connected with the trade deficit; so unless the US trade balance improves much more and much faster than Dr Bergsten expects, protectionist sentiment in America is likely to remain strong.

Japanese policies will obviously be pivotal, on political as well as economic grounds. Last month's Maekawa Report recommended a switch from export-led growth to domestic consumption and investment, and its conclusions were strongly endorsed at the Trilateral Commission meeting by Mr Isamu Miyazaki, chairman of Daiwa Securities Research Institute, and author of the Japanese section of *Conditions for Partnership*. "Japan has become aware, finally," he said, "that its chronic surpluses are due principally to structural factors of the Japanese economy," and he argued for faster economic growth to bring the current account surplus down to a more reasonable level.

Unfortunately, political opposition to the *Maekawa* recipe inside Japan, from farmers, small businessmen, coal-miners and small distributors, as well as from within the governing LDP party, is reported to be strong and getting stronger. But even if there were unbridled enthusiasm, a rapid turn-around would be unlikely.

Mr Miyazaki posited a "locomotive" scenario for Japan, in which the average economic growth rate over the next five years would be boosted to 4.5 per cent, and the budget deficit to 3.4 per cent of GNP. Yet even then the *average* current account surplus would still remain at $58bn or 2.9 per cent of GNP, tailing off only slightly to $47bn (2.1 per cent of GNP) in the year 1990. Yet experience has shown that trade frictions become serious whenever the current account surplus rises above 1.5 per cent of GNP. In other words, if there were to be the kind of structural adjustment in the Japanese surplus which was likely to take the heat out of protectionism in the US, it would either require much more radical action by the Japanese government than seems plausible, or would take much too long for the requirements of the American political cycle.

Part of Dr Bergsten's recipe for partnership is the recommendation that the *world needs* to erect more effective international institutions, rules and regimes to foster macro-economic and monetary policy co-operation. No doubt he is right. If there is one thing which has helped keep alive the ideal of free trade and restrain recurrent bouts of protectionism, it is the existence of Gatt with its principles and its procedures. There is no corresponding institution for refereeing economic or monetary policy: Bretton Woods was blown away by President Nixon at the end of the last long period of dollar neglect, and meetings of finance *ministers*, however frequent, will have no reliable rule book to work from.

Dr Bergsten also argues that it is a mistake for other countries, in their own interest and ultimately in that of America, simply to accept American unilateralism for extended periods of time. No doubt; but as Viscount Etienne Davignon pointed out in his section of the report, the European Community has been and remains intensely absorbed by its own internal problems: enlargement; the reform of the Rome Treaty; its budgetary crisis; the farm policy; and the opening up of its own internal market.

Taken together, the numbers, the Tokyo communiqué and the protectionist pressures in Congress seem to imply a concerted European policy, in parallel with Japan, of faster economic growth. But what do we observe? The oblivious pursuit, in every capital separately, of good housekeeping. Invoking the danger of inflation, European governments have resisted any notion of faster, concerted European expansion, while turning a blind eye to the much greater dangers threatened by dollar debauchery; they have preferred, and they continue to prefer, policies of competitive austerity and the illusion of autonomy.

Perhaps the worst will be avoided. Perhaps the US administration will succeed in keeping the protectionists in check. Who knows, perhaps we shall even see the launching of a new round of Gatt negotiations in the autumn (though I doubt it). But if the protectionist tide were to break the dam, it would be impossible to sustain a posture of supercilious disdain, because serious protectionism would turn immediately into serious political friction. If the American body politic decides to fight a unilateral war against what it sees, however unreasonably, as unfair competition, the war is all too likely to spread beyond the bounds of trade. The governments of the seven summit countries will have their work cut out to prevent things getting to such a pass.

Three scenarios for the Japanese economy

(1986-1990 average)

MAIN INDICATORS	Case A: No policy change	Case B: No policy change with further year appreciation	Case C: International co-operation type
Real growth rate	3.3 (3.7)	2.4 (1.9)	4.5 (4.4)
Current account surplus actual figures ($1 billion)	66 (67)	65 (61)	58 (47)
Percentage of GNP	3.4 (3.2)	3.0 (2.3)	2.9 (2.1)
Yen/Dollar exchange rate	180	160 (140)	180
Budget deficit (percentage of GNP)	1.7 (0.2)	2.2 (1.7)	3.4 (2.9)

Source: Based on "Kaiol Model" of the Daiwa Securities Research Institute (April 1986)
Figures in parentheses are for 1990. Japanese fiscal year (April-March) is used.

Lombard

How to reform competition law

By Michael Prowse

WHICH COUNTRY has the more effective competition policy: Mrs Margaret Thatcher's Britain or Mr Andreas Papandreou's Greece? This is, of course, a trick question. Socialist Greece has the more cogent *anti-trust legislation* (even if it may not always be implemented) for a very simple reason. When Greece joined the EEC it sensibly opted to buy, as it were, a competition policy off-the-shelf: it decided that the relevant parts of the Treaty of Rome should apply *in* its domestic economy as well as in trade with other member states.

Britain's position is much less satisfactory. Although the Thatcher Government talks a lot about the virtues of competition, it has until now shown very little interest in competition policy. At issue is not so much headline-catching merger policy (which is not covered by EEC legislation) but the *more fundamental* laws regulating cartels, collusion and price-rigging. Over the past 40 years, successive acts have woven a web of inconsistent and often incomprehensible laws to combat such abuses. The problem, by common consent, *is* that they do not work well.

The root of the difficulty is that since 1948 British legislation has started from the premise that anti-competitive behaviour *is* acceptable *so long* as it cannot be shown to be against the "public *interest*." It falls largely on officials to decide what is or is not in the public interest. The Treaty of Rome and most other effective anti-trust regimes (such as the US and West German variants) have a quite different starting point: abuses of dominant positions are simply prohibited. Under EEC law agreements *which* "prevent, restrict or distort" competition are simply illegal.

All kinds of unfortunate consequences flow from the UK's characteristically woolly public interest criterion. The absence of clear prohibitions makes private actions for damages virtually impossible. Companies cannot protect themselves in the courts but are obliged to petition officials and to hope that they will mount investigations. Even if action is taken there are no real sanctions: the Office of Fair Trading can only and rather lamely tell the offenders *to stop being naughty. In the* meantime, the innocent party may have gone bankrupt.

Under EEC competition law, the position is quite different. Companies know where they stand: unless they can win an explicit exemption, anti-competitive behaviour raises the prospect of prosecution, heavy fines (*as seen in the recent case* involving ICI and other companies in the plastics cartel) and private actions for damages. The authorities are not, as in the UK, reactive: they do not need to wait for complaints; they can mount the unannounced dawn raids which are often the only way to get hold of *incriminating* corporate documents. Also, unlike British officials, they cannot be stymied by fancy legal drafting of restrictive agreements—what matters is the effect, not the form, of the agreements.

EEC competition law already applies in Britain but only *when* trade with another member *state* is *affected. Also,* as companies are at last beginning to realise, it can be enforced without the hassle of going to Brussels: injunctions and damages can be sought in the London High Court for breaches of the treaty. The paradoxical result is that UK companies can get swift and *effective* protection *from* cartels and predation only if trade with another EEC country is affected—small UK companies have more to fear from big UK rivals than those on the Continent.

A review of British competition policy is apparently about to be announced. What is the point of making marginal adjustments to the present ineffectual regime, or even of dreaming up new laws, when the *Treaty of Rome already* exists? The simple and radical solution is to take a leaf out of Greece's book and conclude that EEC law should also apply to domestic trade. Judges and lawyers would then have to master only one set of legislation, companies would be better protected and acres of outdated British law could be simply jettisoned. The only losers would be the corporate cartelists and predators.

Letters to the Editor

A market for the big boys

From the Finance Director, Bowater Industries

Sir,—I was pleased to see your editorial of May 20 supporting the development of a sterling commercial paper market. It should be noted that under present tax law it appears that industrial holding and other investment companies cannot obtain tax relief for the short interest or discount and other costs involved nor would a pure trading company if the finance were used for fixed *capital purposes*. If the Government desires a free development of the market it should introduce amending tax legislation in this year's Finance Act.

Ian N. Tegner,
Bowater House,
Knightsbridge, SW1.

Spies who steal computers

From Mr P Ashdown MP

Sir,—May I first compliment you on David Buchan's Weekend FT piece, "The spies who steal computers" (May 17). It had all the colour and raciness that makes your Saturday paper such a good read. May I also, however, gently disagree with a number of Mr Buchan's points and conclusions.

I too have seen some of the Farewell material, as have staff at Birmingham University. Like Birmingham University I am, by a narrow margin, inclined to believe that most *of it is* authentic. The question I would raise is why?

The French Secret Service never discovered who their source was. He vanished and agents who vanish, their identity unknown, are, as I understand it, always looked on with the utmost suspicion. The French Secret Service used the material in a very curious way. Having given it to their President as a bargaining chip at the Williamsburg summit in 1983, they then made a massive leak of the material to the French Press in 1985, a week before the Mitterrand Government was due to receive the highest level trade delegation that the USSR had ever sent to France. Embarrassing, to put it mildly!

The material itself is nothing like as sensational *as I think* Mr Buchan implies. Rather it shows a large bureaucracy carrying out a routine and predictable task in keeping tabs on their rivals in the US.

Where I totally agree with Mr Buchan is over the need to properly guard our military related technology from falling into the wrong hands. But I do not agree with Mr Buchan that in order to do this we must yield part of our sovereignty to the US. What he refers to as heavy handedness by the United States, Sir Michael Havers, the Attorney General, described to me as "an unwarranted encroachment on UK jurisdiction and contrary to international law."

Nor did Mr Buchan, I think, convey that which had really made Michael Ludlam develop his "damn" the regulations attitude! It was the discovery that one of the items he had been jailed for and failed to deliver to an hotel in Bulgaria, a VAX of some kind, had subsequently been delivered to the hotel by an American company, from America! Let me close by quoting a statement made to one of my staff. "We have," the well dressed man said, "a mission to bring technology to the Eastern Bloc." The place was Leipzig in East Germany. The date was March this year and the *specific location* was the IBM stand at that fair. Alongside IBM were Gould, Hewlet Packard, and Perkin Elmer, four of the most advanced high technology corporations in the world, all licenced and encouraged to be there by the US Government.

Meanwhile, earlier this year Geoffrey Pattie, the *Trade and* Industry Minister, told me that US shipments of technology to the eastern bloc were in excess of $1bn.

Paddy Ashdown
House of Commons, SW1.

Anatomy of UK inflation

From Mr L. Copeland,

Sir,—The figures produced by *Robin Marris* in his "Anatomy of UK Inflation" (May 21) are of great interest. It is, however, difficult to see the logic of his Catch 22 (sic): "the policy [of allowing public sector prices to rise] . . . is itself *a significant factor* in the perpetuation of inflationary expectations."

This analysis seems highly improbable. A rise in a relative price cannot by itself generate inflation, or expectations thereof, whether the relative price is that of crude oil or public sector services or anything *else*: Unless our view of the financial system is of Radcliffe report vintage, the price level is determined in money markets, and unaccommodated relative price rises cannot therefore have a macroeconomic effect. When the relative price in question is that of public sector products, accommodation is more or less ruled out ipso facto, so inflation cannot be the result. Indeed, in so far as price rises are an alternative source of funding for public sector expenditure, they may be taken as betokening a lower rate of monetary growth than otherwise, and hence serve to damp down inflation, both expected and *actual*. The rise in public sector prices in the UK reflected, albeit jerkily, *the trend rise in the relative* cost of services, a pattern repeated in every Western country, including those, like Germany, Switzerland and Japan, that have had very low inflation rates in recent years.

More to the point, the impact of higher public sector prices is likely to have been to some (probably small) extent reflected in lower prices than otherwise in the market sector of the economy. To a far greater extent, however, the result will probably have been simply to reduce output and employment in the private sector. In summary, public sector price rises, like high real exchange rates, are simply alternative channels through which fiscal expansion crowds out production in the rest of the economy.

Laurence S. Copeland,
University of Manchester Institute of Science and Technology,
PO Box 88,
Manchester.

Selective reflation

From Mr S. Collins

Sir,—In Mr Brittan's otherwise excellent article on the state of the UK economy (*May* 22) he wrote: "we need 're-flation' like a hole in the head." He argued that "selective stimulus" would only be warranted when we get a good picture of the real output v. inflation split in trend growth of nominal GDP, and that split shows, in his phrase, that the inflationary *dragon has* been slain.

While Mr Brittan correctly explained that price inflation is in part a consequence of wage inflation, he did not appear to recognise that the authorities have no effective means of tackling that problem. At one time it was believed that high unemployment would reduce "wage push," since unions would be weak and workers fearful of 'pricing themselves out of jobs.' One of the most worrying things to emerge out of our collective experience since 1979 is the realisation *that* wage *bargains* are not affected by unemployment in any significant way except for firms in imminent danger of going to the wall. Despite staggering unemployment levels, we still find average earnings moving along briskly at a year-on-year growth rate of 7½ per cent this year.

It seems to me that *Mr* Brittan is whistling in the dark in his optimism that wage inflation will *moderate* at *some* stage, allowing us leeway for selective reflation. The problem will not go away. While I do not expect him to abandon his long-established antipathy to incomes policy, I would like him to put forward other measures he may have in mind to tackle what we both agree is a formidable obstacle to any fiscal stimulus aimed at reducing unemployment.

S Collins
Pembroke College,
Oxford.

Collection of VAT

From Mr R. Apsion

Sir, — The Government is proposing to allow businesses to defer payment of VAT until they have received the money *from their customers*.

This ignores the fact that firms claim the VAT charged on their purchases whether they have paid for them or not. From the start of VAT, in April 1973, traders have been accountable for the tax on their sales from the tax-point. Otherwise they would have no incentive to *press their customers* for payment of the tax.

What would help would be a law that purchasers should pay their bills within the same credit period that they allow their own customers. The complication in drafting this law is that some companies offer discounts for prompt payment.

Robert Apsion.
17, Gonghill,
Guildford, Surrey.

The effects of a pay rise

From Dr C. Williams

Sir,—While not wishing to enter the debate *over* the relationship between wage rates and employment, it is necessary to correct the basic error made by Mr Beattie (May 20).

As he points out, an "average" employee will pay tax (basic rate plus national insurance) at 38 per cent on a pay rise, but overlooks the fact that the employee *also* pays tax *on* his pre-rise income. Thus it is not true that to make the take home value of a pay rise cover inflation at 4.96 per cent a pay rise of 8 per cent is required.

If gross pay and tax allowances increase in line with inflation, then take home pay will also increase in line with inflation, at unchanged tax and national insurance rates.

Therefore, even if employees look prim*arily* at the increase in their take home pay, this does not explain why gross pay increases are exceeding the rate of inflation, as Mr Beattie claims it does.

(Dr) Ceris W. Williams'
(Group Economics Dept),
Midland Bank,
Poultry EC2.

FINANCIAL TIMES
Tuesday May 27 1986

Terry Byland on Wall Street

Futures lead way to rally

WALL STREET went away for the Memorial Day weekend in better form than seemed likely only a week earlier, with the dollar, the bond markets and stock prices scrambling to recover some of the ground lost during the past month.

In the securities markets, the swiftness of the upturn caught the institutions wrong-footed – but only for one day. Turnover, which was thin at the beginning of the week, rose on Thursday and was going well on Friday until everyone left Manhattan for the holiday weekend.

The impetus beneath the stock market's rebound came from premiums on stock index futures, which triggered stock buying programmes on Thursday and Friday. Less easily answered is: "What triggered the stock index futures?" The most convincing answer is the renewed downturn in crude oil futures in New York – checked at the end of the week – revived optimism over inflation, interest rates and corporate profits.

This coincided with the belief in the market place that the shakeout had opened the way for a rally, based on a favourable view of the Senate committee's tax bill, which trims maximum corporate tax rate from 46 per cent to 33 per cent.

Having agreed that the poor first-quarter corporate results were only to be expected, analysts have now transferred their most optimistic forecast to the second half of the year.

Merrill Lynch sees a gain of 22 per cent in corporate profits for the June quarter, followed by a 16 per cent gain in the third quarter and then a leap of 30 per cent in the final quarter, which will benefit from corporate write-offs in the final three months of 1985.

Company	Price	52-week range
AMR	$58	$61-$37
Pan Am	$6⅜	$10-$4
UAL	$59⅞	$65-$40
Delta	$44½	$53-$36

Goldman Sachs, in its latest research focus, is similarly, but not quite equally, bullish on profits. Agreeing with many others that oil industry weakness will keep corporate profits back in the early part of this year, Goldman sees "stronger gains" in the second half, culminating in a 20 per cent gain in the final quarter and a year-to-year gain of close to 15 per cent.

This translates, believes Goldman, into growth of about 21 per cent in profits of the Standard & Poor's 400 stocks and of 19 per cent on those of the S & P's 500 companies.

But the renewed weakness in oil prices, even if it is maintained, leaves investors to decide whether it is bonds or equities that offer the greater opportunity. Bond yields fell 20 basis points last week, but have a further 25 to lose before matching the low of two months ago.

For the short term, bonds could move up further and faster than stocks. Goldman, which considers bond market assets should make up 20 per cent of portfolios, now says 25 per cent of cash flow should be put into the bond market. The extra cash, it says, should be taken out of new property investment by halving its cash flow allocation to 5 per cent.

Many analysts would agree that property investment should be placed under restraint. In addition to the widely recognised property problems in Texas and other Sunbelt states, there are signs that the Manhattan condominium market is beginning to soften.

If the stock market is to continue taking its share of new cashflow investment, it is no surprise that attention is reverting to those sectors with fortunes linked closely to oil prices. Last week saw active trading in airlines, although buyers were more selective than last time.

Dr Julius Maldutis, airline analyst at Salomon Brothers, recently told clients the industry's financial health was "equal to, if not better than, on the eve of deregulation," although he thinks there will be further "consolidation" as the laggards fall to the predators.

The best-favoured seems to be American Airlines, acclaimed as a financially strong group, well placed to benefit from the switch to holidays at home by US tourists. Although close to the 52-week high, the stock is already showing signs of leading the sector forward again. Similar arguments can be posed for United and for Delta.

Pan Am, however, was bumping a 52-week low at midweek – the stock rallied later. Its transatlantic traffic could be vulnerable to the same kind of setback that has already hurt British Caledonian. For the near term, Pan Am's sale of its Pacific routes looks unfortunate.

UK spending focuses on claim for extra £3bn

BY ROBIN PAULEY AND PETER RIDDELL IN LONDON

MR NICHOLAS RIDLEY, Britain's new Environment Secretary, will this week review a preliminary bid for an additional £3bn ($4.47bn) of housing and local authority expenditure for next year. This was submitted by his predecessor, Mr Kenneth Baker, on the day before last Wednesday's ministerial reshuffle.

The decision will have a major influence on the forthcoming Cabinet debate about the balance between higher public expenditure and income tax cuts next year, which is a key period in the run-up to the next general election.

Mr Baker requested an additional £2bn of local authority current expenditure and a further £1bn on housing and related capital spending.

Treasury ministers object vigorously both to the scale and timing of Mr Baker's bid arguing that he was trying semi-publicly to commit and embarrass his successor.

Under new procedures all bids for additional money have to be made in writing to Mr John MacGregor, the Chief Secretary to the Treasury, with copies to Mrs Margaret Thatcher, the Prime Minister. The deadline is the end of this month.

Mr Ridley has not withdrawn Mr Baker's bid so far and this might appear politically damaging. But he is expected to take time to re-examine the proposals by seeking Treasury permission for an extension of the deadline of two weeks to permit "a review and consideration."

Mr Ridley has a reputation as a firm supporter of restraint in public expenditure, but he is expected to take a more flexible line in practice, especially in relation to the £2bn rise in local authority spending. The increase is required merely to bring next year's plans into the realities of what is currently being spent locally.

Moreover, ministers are aware of a furore caused in traditional Tory parts of Britain by this year's squeeze on the rate (local property tax) support grant settlement. Mr Ridley has made known his belief in the importance of getting the settlement right.

In recent Whitehall discussions on next year's provisional settlement the Treasury was sent away to review its proposal for a tight squeeze and the issue will be one of the first for Mr Ridley to determine.

The Department of the Environment has estimated that a 1 percentage point cut in the basic rate of income tax is equivalent to a 7 per cent change in local rates.

The additional £1bn a year on housing expenditure contains items such as support for an increased number of urban development corporations and for the modernisation of inner city council properties to permit their transfer away from local authorities.

In his new role as Education Secretary Mr Baker is expected to submit a bid for at least an extra £1bn next year, although no commitment was made on this when he was appointed.

The Treasury is keen to be seen to be responsive to the public, and Conservative Party concern over the level of public services such as education and housing while not changing the existing overall spending total and thus reducing the scope for tax cuts.

In a weekend speech Mr MacGregor called for "a sensible balance" between public expenditure and provision of public services and a further reduction in the tax burden. This may involve a search for cuts in non-social programmes.

Murdoch makes 'final' peace offer to sacked print workers

BY DAVID THOMAS, LABOUR STAFF, IN LONDON

NEWS INTERNATIONAL yesterday offered a new package to the British print unions in a bid to end the dispute with its dismissed print workers over its move to its new plant at Wapping in east London.

Mr Rupert Murdoch, News International's chairman, said the offer was the final one and described it as "an extremely high price for bringing the dispute to an end."

News International is to withdraw the offer by this Friday, May 30, or by the completion of any ballot of print workers which is under way by May 30.

Since January Mr Murdoch has been producing three national titles – The Times, Sunday Times and the Sun – from the heavily guarded high-technology plant in London's docklands. They were moved there overnight and more than 5,000 traditional print workers, who had gone on strike, were dismissed without compensation.

The print unions will be consulting their members on the offer, but would not be drawn last night on whether they would be recommending it for acceptance.

The offer was put together after a weekend of talks between News International and the five print unions. In their final stages, the talks involved Mr Murdoch and Mr Norman Willis, the TUC general-secretary.

The offer consists of five parts:

● Redundancy pay of four times a week's pay for each completed year of service. There is to be a ceiling of £155 in respect of the week's pay taken into account for calculations and minimum of £2,000 to any worker.

● News International will not exclude any dismissed worker from the chance of future employment with the company.

● The question of union recognition at Wapping and News International Glasgow's plant will be reviewed in a year.

● News International is to transfer to the print unions the whole of its Grays Inn Road site in Central London, where The Times and Sunday Times were printed. The only restriction on the transfer is that the plant cannot be used to print existing national newspapers for five years, other than the Guardian contract already being carried out there.

● News International will withdraw its legal actions against the print unions on the basis of each party bearing its own costs.

Mr Murdoch put a value of about £50m on the financial element of the package. Previously the company had talked of making about £15m available for redundancy.

Mr Murdoch said he did not expect to have to recruit many employees at Wapping in the near future, but any such recruitment would treat all applicants on their merits.

The decision to suspend the question of union recognition for 12 months covers the electricians' union EEPTU, which already has members inside Wapping. Mr Murdoch did not rule out the possibility that the National Graphical Association print union might eventually be recognised at Wapping.

The offer of the Grays Inn Road site now includes the editorial and administrative part of the building as well as the printing works which News International had previously offered to the print unions.

Ms Brenda Dean, general secretary of the print union Sogat '82, said that she was not overjoyed by the offer, but added: "It is certainly an improvement from when we arrived here."

Sogat is to consult its members in a ballot, but has not yet decided on whether to make a recommendation.

The ballot is likely to encounter considerable opposition from within the union.

Rush to sell French shares

Continued from Page 1

Mitterrand, added to economic uncertainties, means that France was entering "a period of political turbulence," a senior official said yesterday.

Mr Mitterrand has stepped up his criticism of Mr Chirac over such issues as the easing of redundancy procedures, his steam rollering of legislation through parliament and the revision of the autonomy to New Caledonia, France's Pacific territory.

Mr Chirac has equally stepped on Mr Mitterrand's toes by attacking his policy over the US Strategic Defence Initiative (SDI), demanding the recall of an ambassador named by Mr Mitterrand and accusing television journalists of being too favourable to the Socialists in their commentaries.

This is seen as the prelude to further battles this month over Mr Mitterrand's expected refusal to sign some of the decrees – including in part the privatisation decrees – put to him by Mr Chirac.

UK finance publisher in £90m share offer

BY TERRY GARRETT IN LONDON

EUROMONEY Publications, a leading UK publisher of magazines covering banking and the international capital markets, is coming to market in an offer for sale arranged by Merrill Lynch, which values the company at more than £90m ($135m).

The flagship monthly publication, Euromoney, is the brainchild of Sir Patrick Sergeant, former city editor of the London newspaper the Daily Mail for 25 years, who started the magazine in the corner of his office with capital of £6,200 and the backing of his employers, Associated Newspapers.

Euromoney currently boasts a circulation of 24,000 a month and a readership of 140,000 throughout 140 countries. The company has also expanded into business conferences, directory publications and electronic data-bases. Profits have expanded to £2.2m after tax in the last reported year.

Merrill Lynch has put a minimum price of 450p on the offer of 3m shares, equal to 15 per cent of the capital. The listing will be on the Luxembourg market in the form of international depository receipts (IDRs).

Sir Patrick said yesterday that it was in keeping with Euromoney's commitment to the Euromarkets to "set an example" and list the shares in Luxembourg. Merrill Lynch will, however, be making a market in the IDRs in London.

Just over 600,000 shares in the issue will come from Sir Patrick and Mr Padraic Fallon, managing director, which could raise up to £2.8m and leave Sir Patrick with a 5 per cent interest worth £5m.

Associated Newspapers, which currently holds 90 per cent of the equity, will not be selling any shares in the offer although its holding will be immediately diluted to 78 per cent and later to 75 per cent by the exercise of share options.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	25	77	Malta	F	25	77	Rhodes	S	24	75
Algiers	S	29	84	Edinburgh	F	13	55	Manchester	S	15	59	Rio de J'o	C	32	90
Amsterdam	S	19	66	Faro	S	25	77	Manila	R	31	88	Rome	S	25	77
Athens	S	24	75	Florence	—	—	—	Melbourne	—	—	—	Salzburg	S	26	79
Bahrain	S	37	99	Frankfurt	S	23	73	Mexico City	F	12	54	San Francisco	C	22	72
Bangkok	S	34	93	Funchal	S	25	77	Miami	C	28	82	Seoul	R	17	63
Barcelona	R	20	68	Geneva	F	26	79	Milan	S	26	79	Singapore	F	30	86
Beirut	S	25	77	Gibraltar	S	23	73	Montreal	C	25	77	Stockholm	S	11	[illegible]
Belfast	R	10	50	Glasgow	R	9	48	Moscow	C	18	64	Strasbourg	F	25	77
Belgrade	S	21	70	Guernsey	C	12	54	Munich	F	25	77	Sydney	C	21	70
Berlin	S	24	75	Helsinki	C	13	55	Nairobi	F	21	70	Taipei	S	30	86
Biarritz	F	18	64	H. Kong	F	30	86	Naples	S	30	86	Tangier	S	29	84
Bombay	—	—	—	Innsbruck	F	26	79	Nassau	S	30	86	Tel Aviv	S	26	79
Bordeaux	F	24	75	Inverness	S	11	52	New Delhi	C	37	99	Tenerife	S	27	81
Brussels	S	23	73	Islamabad	S	38	[illegible]	New York	S	26	79	Tokyo	F	19	66
Budapest	S	22	72	Istanbul	C	18	[illegible]	Nice	S	25	77	Toronto	C	25	77
B. Aires	S	17	[illegible]	Jakarta	C	33	91	Nicosia	S	28	82	Tunis	S	26	79
Cairo	S	33	91	Jersey	C	14	57	Oporto	C	16	61	Valencia	F	25	77
Cape Town	S	33	91	Jo'burg	S	19	66	Oslo	F	14	57	Venice	S	26	79
Caracas	C	28	82	Lima	C	23	73	Paris	S	24	75	Vienna	S	23	73
Casablanca	S	23	73	Lisbon	S	20	68	Peking	S	27	81	Warsaw	S	22	72
Chicago	R	23	73	London	C	16	61	Prague	S	23	73	Washington	—	—	—
Cologne	S	25	77	Los Angeles	S	31	88	Reykjavik	F	9	48	Zurich	S	24	75
Copenhagen	S	17	63	Luxembourg	S	23	72								
Corfu	S	29	84	Madrid	S	28	82								
Dallas	—	—	—	Majorca	S	29	84								
Dublin	C	14	57	Malaga	S	24	75								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Gorbachev arms plan

Continued from Page 1

Lord Whitelaw said the two sides had discussed the disaster at the Soviet Chernobyl nuclear power station, but there had been no recriminations from the British side about the cloud of radioactivity which subsequently drifted across Europe.

Mr Gorbachev was "very co-operative," however, in discussing proposals for a convention to be set up to exchange information on civil nuclear power.

The delegation gave Soviet officials a list of names of Soviet dissidents about whom concern has been expressed in Britain.

Benedetti to raise L550bn on bourse

By Alan Friedman in Milan

CIR, the holding company for many of Mr Carlo de Benedetti's industrial and financial interests, last night announced plans to raise L550bn ($352m) by means of an equity issue on the Milan bourse. Mr de Benedetti's latest cash call, the largest of the current year, comes as the Milan stockmarket is continuing its runaway bull run.

According to CIR, part of the funds will be used to increase its share stake in Olivetti by acquiring shares from CIT-Alcatel of France. This should increase CIR's stake in Olivetti from 15.7 per cent to about 20 per cent. The CIR equity offer will include both a rights and a scrip issue for shareholders.

CIR says it will also use the $352m of proceeds to make new acquisitions in the food sector. It already controls the Perugia-based Buitoni pasta and chocolates group as well as the recently acquired Davigel frozen fish distributor in France.

CIR said it would also develop its industrial activities in Europe – and especially in France via Serus, a Paris-based shell company modelled on CIR. In France, CIR owns 19.4 per cent of the Valeo car components group and is trying to increase that to 36 per cent with a hotly contested partial bid.

CIR, which yesterday said its consolidated net profits more than doubled to L58.5bn last year, owns strategic holdings in investment banking, tobacco industry machinery, publishing and insurance companies in Italy. Consolidated turnover last year totalled L1,447bn – more than four times the 1984 level (the increase being largely due to the acquisition of Buitoni).

Mr de Benedetti, through his Sabaudia and Cofide holding vehicles as well as CIR, has been taking advantage of the booming Italian stock market for more than a year now to raise funds which he then uses for acquisitions at home and abroad. Last year his various holding companies raised more than L1,000bn, a level which he is now approaching after only five months of 1986.

Rabin rejects Thatcher call for elections

By Andrew Whitley in Jerusalem

MR Yitzhak Rabin, Israel's Defence Minister, yesterday firmly rejected a call by the visiting British Prime Minister, Mrs Margaret Thatcher, for elections in the occupied West Bank and Gaza strip.

Mr Rabin, who is responsible for administering the occupied territories, told Mrs Thatcher that he did not think that elections would help to bring peace.

Mr Rabin said after a breakfast meeting with Mrs Thatcher: "It looks to me very strange that the first place in the whole Arab world that there will be free elections would be under so-called Israeli military occupation, while in the Arab countries there is not one elected mayor."

Disagreements over Mrs Thatcher's proposal marred what had otherwise been a remarkably harmonious visit – the first to Israel by a serving British Prime Minister.

The call for elections forms the centrepiece of Mrs Thatcher's stated desire to improve living conditions for the 1.3m Palestinians living under Israeli rule and to encourage more moderate Palestinian leadership.

Mr Rabin criticised Europe for doing "practically nothing" to help improve conditions for the Palestinians and said he wished Europeans would do more, particularly for those in refugee camps.

Mrs Thatcher, who winds up her four-day visit today, is said to have retorted that, even when no solutions were apparent, one must persevere. A political vacuum invites and encourages terror, she told Mr Rabin, according to British officials.

Last night, Mrs Thatcher met an invited group of eight moderate Palestinian notables from the West Bank and Gaza, to sound out their views on the present impasse in peace negotiations.

Before the meeting, the Palestine Press Service, which is believed to reflect the opinion of Palestine Liberation Organisation, condemned the visit.

The meeting, which brought together such figures as Mr Rashid as-Shawwa, the deposed mayor of Gaza, and Mr Hanna Siniora, editor of the East Jerusalem daily newspaper Al Fajr, took place in the British consulate general in East Jerusalem.

East Jerusalem is now formally annexed into Israel but is still treated by nearly all foreign governments as part of occupied Jordanian territory.

THE LEX COLUMN

Skating across a frozen lake

From Wall Street to Westminster, the rediscovery of financial assets by the individual investor is accepted as a triumph of the disinflationary 1980s. Just as the mania for intrinsic value – for collectables and gold – was at its most potent in the high-inflation 1970s, so the idea of a rising real return on bonds and bank balances has now become established as one of the market's most powerful background beliefs.

The fall of inflation has been followed by falling nominal yields: with the official encouragement of concerted interest rate reductions last September, rocketing international bond (and equity) prices had completed the circle long before doubts set in at the Tokyo summit. Even ostriches know that if your wealth is not in marketable paper, you have been missing out.

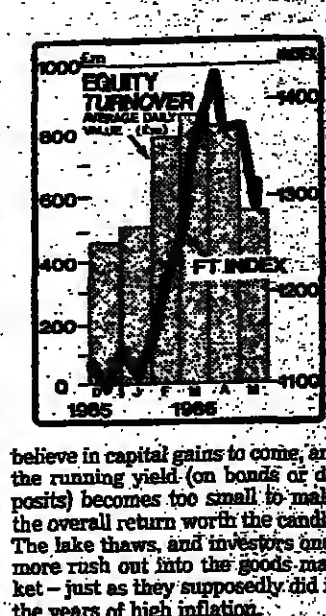
Yet the most reliable myths have their limits. The problem with reaching the lowest inflation rates experienced for a couple of decades is that it takes an increasingly determined deflationist to believe they will continue to fall. The fact that UK index-linked gilts have been moving ahead strongly in the last month, while equities have been sliding and conventional gilts have trodden water, suggests that the betting is moving the other way.

There are no doubt several influences at work here. In the short run, it seems that the Treasury would like to keep unit wage increases within bounds this year and rejects a rapid fall in UK interest rates on the grounds that it would encourage companies to absorb excessive wage rises.

Better, then, to keep the squeeze on. Markets are in any case good enough at subtraction to see that this spring's exceptionally good inflation figures are due to an unrepeatable move in oil prices; even if they do not climb the whole way back, from $10 to $30 per barrel, there is not going to be another equally flattering drop.

More profound fears aroused by falling interest rates are not far beneath the surface. Whereas the progress from 25 per cent to 5 per cent inflation produced improving returns on financial assets (rising real yield, increasing price) the pessimists see further reductions in nominal rates as unleashing a frozen lake of savings.

When the real yield on gilt-edged falls too far, savers can no longer



believe in capital gains to come, and the running yield (on bonds or deposits) becomes too small to make the overall return worth the candle. The lake thaws, and investors once more rush out into the goods market – just as they supposedly did in the years of high inflation.

There may, however, be none too strong a connection between aggregate savings behaviour and changing fashions in portfolio design for those with serious capital to invest. In the 1970s the UK savings ratio actually increased, when the folly of holding money on deposit was theoretically at its greatest, thanks to negative real interest rates.

Since it has become so much more expensive to borrow, banks have been doing their damnedest to increase the indebtedness of the UK personal sector, with a success that has been the despair of monetarism. Probably the one disaster that the authorities least need fear is the melting of the glacier; but the rediscovered virtue of paper assets may nonetheless be yesterday's story.

Equity turnover

Tempting as it is to link the amount of dealing in the stock market and the level of the indices, technical analysts would have it that volume is not generally an accurate market indicator. Chartists, at least, are not worried by the sharp fall in turnover in the last couple of weeks. Others regard the current quiet in City of London dealing rooms with more concern. A high level of activity may not cause the market to move, but it can reveal that fund managers have strong views on which way the market is going.

Volume measured in terms of the value of equity turnover will naturally fall with share prices, even if the number of shares traded stays the same. But so far this month the average daily value of business done is about a third down on the levels in March while the market is only 6 per cent off its peak.

Clearly turnover in the earlier months of the year was boosted by some of the same factors that pushed the market up, and on busy days may have been understated if jobbers failed to mark all their bargains.

Bid activity led to more trading, not only through speculative buying from fund managers and arbitrageurs, but also as bidders bought their victims' shares in the market and as shares issued in part consideration were placed.

Institutional and retail investors were pushing money into the rising market in order not to be left out of the gains being made, and the sharp daily market runs allowed the more aggressive fund managers to take daily turns on shares they had no intention of holding long term.

With fewer big bids around, a drifting market and institutional cash balances run down to low levels it is not surprising that turnover has fallen. The large number of rights issues also means that stock is coming to investors instead of them feeling driven to chase paper. In one sense, it is comforting that the market has fallen on low volume, despite the old joke that it makes no difference to the holder of stock that it went down on thin business.

There would be much more reason to worry if the market were falling as a result of large-scale disinvestment by institutions. If that happened, it could easily turn a casual early-summer drift into the onset of a classic self-propelled bear market.

As things are, there are fears among the brokers that if the volume of business stays low through the summer months they can wave their bonuses goodbye. The surge in staff numbers and salaries requires a proportionate increase in trade to keep the cost ratio right. In a thin market, mega-broking is a mega-expensive ambition to support.

Foreign Exchange

Has the dollar fallen far enough since the heights of March 1985? The Group of Five can't agree. And foreign exchange dealers fear to predict when the world's major currency may begin to recover

Mercurial times in the market

By George Graham

AFTER a year in which it seemed the dollar could only fall, the foreign exchange markets are now facing a period of greater uncertainty.

Has the dollar fallen far enough from the giddy levels it reached in March 1985? If the governments of the Group of Five industrial nations cannot agree on the question, neither can foreign exchange dealers, who are nervous about predicting a turn in the dollar's long, downward trend.

The extent of the fall has been massive. From its peak, the dollar has now fallen by around 27 per cent, as measured against a trade-weighted basket of other currencies. But this movement understates the degree of the US currency's decline against its two major trading counterparts, the Japanese yen and the West German D-mark.

Between March 1985, when it achieved its highest levels, and the meeting of the Group of Five finance ministers and central bankers, at New York's Plaza Hotel in September, the dollar fell by 16 per cent against the D-mark. Spurred on by that meeting's agreement to intervene jointly in the foreign exchange markets to bring the dollar down, it has since fallen another 23 per cent from that level—an overall drop of 35 per cent in little more than a year.

Against the yen, its descent has been more striking. After trading at more than Y260 to the dollar in the spring of 1985, by the time of the Plaza meeting the dollar had fallen by less than 10 per cent. Since then, however, it has depreciated by a third. At one point it dipped below Y160, 40 per cent lower than its peak last year.

This downward trend in the foreign exchange markets' major currency has been dominated by the concerted intervention of the central banks, and has brought with it a further measure of volatility in an already mercurial market. As one central bank dealer remarked ruefully, a range of 5 pfennigs in a day is no longer unusual for dollar/D-mark trading, the most active spot currency market.

The intervention of the central banks has been on an unprecedented scale, as they together sold dollars in their efforts to force an orderly depreciation of the US currency.

In the six weeks immediately following the Plaza agreement, the New York Federal Reserve Board sold $3.2bn of dollars in the foreign exchange markets. Its counterparts in the other Group of Five countries—West Germany, Japan, France and the UK—are estimated to have sold another $5bn; while other central banks of the broader Group of Ten industrial countries are thought to have contributed around $2bn to the operation.

Spread over six weeks, however, $10bn can easily be swallowed up in the vast worldwide turnover of the foreign exchange markets. Accurate statistics of volume in the world's currency markets are hard to come by, but the Group of 30, a research organisation backed by financial institutions and multinational companies estimated last year that daily turnover had doubled from $75bn in 1979 to $150bn in 1984.

A more detailed picture of the world's two largest foreign exchange centres, London and New York, could emerge later this year with the publication of the results of surveys conducted simultaneously by the Bank of England and the Federal Reserve Board in the US.

The survey was carried out in March, and many foreign exchange dealers believe that when the results are collated they will confirm London's sizeable lead over other markets.

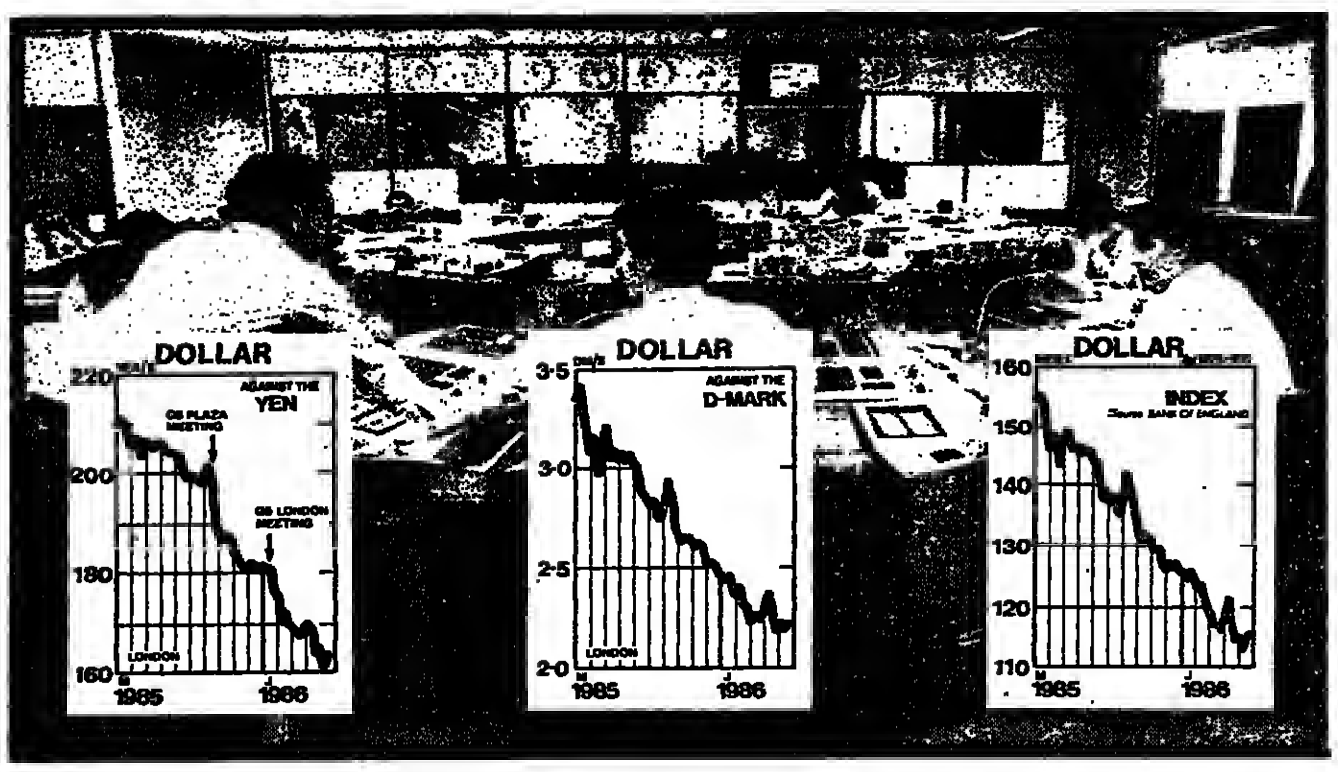
The Group of 30 study estimated London's foreign exchange turnover at around $49bn a day, a third of the world total, compared with around $35bn a day in New York and $20bn a day in Zurich. Dealing in Europe has tended to concentrate increasingly in London, at the expense of Frankfurt and Paris, which the study says now account for $17bn and $5bn respectively of daily turnover.

The study said the Far East was taking a rising proportion of global volume, with Tokyo, Singapore and Hong Kong each accounting for $8bn a day. But dealers at many leading banks say that the same process is evident in Asia as in Europe: business is beginning to concentrate on the major centre, Tokyo.

The Tokyo market terrifies some of the leading London foreign exchange brokers, who see their Japanese counterparts taking substantial involuntary positions in currencies because of market rules that commit them to deal in certain sizes once they have quoted a price. But it has taken its place as the centre of the third trading time zone.

The foreign exchange market is at its deepest when London is still trading and New York has opened. After London's close, New York trading can be much thinner, and exchange rates are often driven sharply by movements in currency futures on Chicago's futures markets.

Options trading has also made its mark on the foreign exchange markets. Dealers note that spot rates increasingly show signs of "stickiness" when they reach the big round numbers, such as $1.50 for dollar/sterling or DM 2.20 in dollar/mark trading, in which options tend to be written. Exchange rates have difficulty pushing through these levels, but when the resistance level is pierced they rush ahead as options are unwound.



Further evidence of the impact of new instruments in the currency was provided by the arrival this year, for the first time, of a US investment bank in league tables of foreign exchange dealers published by the magazine Euromoney. Goldman Sachs, ranked 16th in a poll of corporate treasurers, is the symptom of the increasing impact of the capital markets' flow of funds on the foreign exchange markets.

London's predominance in the currency markets is not matched by its home currency. Sterling has slipped over many years in importance. Mr Paul Nash, of the leading D-mark brokers R. P. Martin, suggests that cable—as dollar/sterling is known—may even have fallen behind Swiss franc trading in trading volume.

By far the greatest volume of trade is done in the dollar/D-mark market, with dollar/yen following. But increasing volumes are also being traded in currencies previously regarded as exotic.

Perhaps the most striking advance has been recorded in the Ecu, the unit formed from a basket of European Monetary System currencies. Once again, Ecu spot trading has been helped in its expansion by the development of an Ecu-denominated capital market. In a number of banks, Ecu trading has risen to second place behind dollar activity, and in some it has even become the predominant currency.

Kredietbank in Brussels, for instance, reports an average daily turnover of over 100m Ecu in the spot market, with a further 700m Ecu of deposit deals. Overall average daily volume for the bank is over 7bn Ecu.

Mr Andre Swings, Kredietbank's general manager, says that typical Ecu deals now average 3m to 5m Ecu each, with the largest deals in the 50m to 60m Ecu range. The average sizes are comparable with those for dollar/D-mark and cable—probably around $3m and £2m respectively—although a small club of leading banks deals in these currencies in significantly larger sizes.

Other currencies, such as the Australian dollar, have also increased in volume, helped by the ending of foreign exchange controls. Its swings can be extremely sharp, however, as the weight of investment money drives a market that is relatively thin in comparison with the major trading currencies.

"The Australian dollar is no longer an exotic currency," says Mr Michael Tong, of ANZ Bank. "It may possibly be sixth or seventh in order of volume now."

Yet in a global foreign exchange market that has become accustomed to extreme volatility, bank dealers are now less willing to hold positions for long periods. The fluctuations that can occur in afternoon trading in New York can be too severe for a London dealer to sleep easily with substantial exposed positions in a currency.

Hovering over the feast is the spectre of the central banks. Japan and West Germany have already intervened in the markets to stop the dollar falling further. Dealers now watch nervously to see if they can win the support of the US.

If that happens, the memory of the concerted intervention after September's Plaza meeting will send nervous dealers diving for cover.

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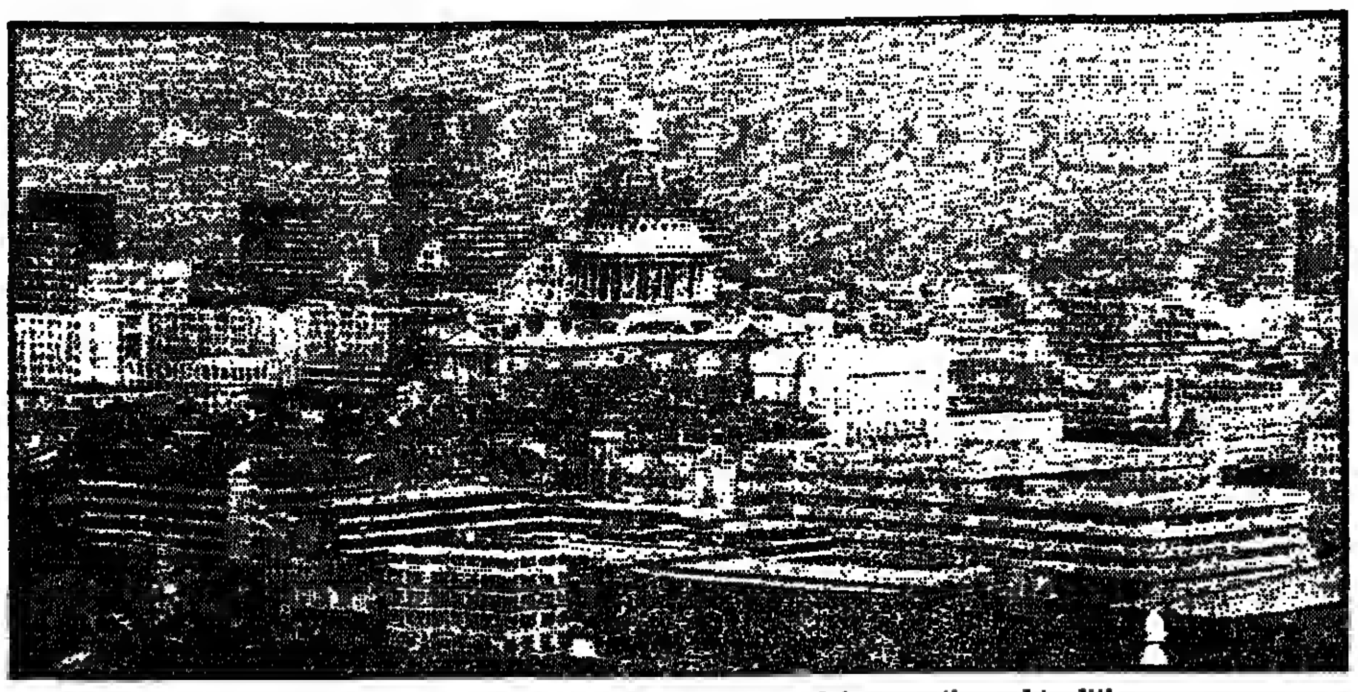


The City of London has kept its pre-eminence through its expertise and tradition

London

Caution is entering the market

LONDON REMAINS the biggest centre in the world for conducting foreign exchange transactions. It has two great advantages over other centres. One is its history, the other is geography.

Foreign exchange business has been conducted through London from the time when sterling was the world's leading currency. The City has kept its pre-eminence through the expertise and traditions built up at that time, but also enjoys a very favourable geographical relationship between the US and the growing financial markets of the Far East.

London trades with Tokyo, Hong Kong and Singapore as these centres are winding down at the end of their day, and then with New York after lunch. During the morning there is the trade between the other important European centres, including Frankfurt and Zurich.

Business has been very buoyant of late, encouraged by the Group of Five meeting in New York last September, where it was agreed that the dollar should fall in value. This has produced bullish sentiment and large profits. There have been no adverse swings, just brief pauses, when profits were taken and new positions taken up.

The strong growth of capital markets has made a major contribution to increased turnover, as European, as well as the more obvious Japanese investors, have interlinked the buying of US Treasury paper with foreign exchange transactions, while US traders have also been buyers of gilts in London.

This has involved the growth of the short-dated swap market in currencies, to smooth out different settlement dates between transactions.

If there is now a slight note of caution entering the market, it is because the dollar has fallen so far over the past seven or eight months that dealers are trying to assess when this trend will run its course. There is some nervousness that an upturn in US economic growth in the second half of the year, will turn interest rates upwards, and lead to a change in the fortunes of the dollar.

Trading is carried out in several ways: through brokers; direct telephone links between traders; telex; and Reuters dealing system. Brokers have probably lost in percentage terms some market share in recent years, largely because of Reuters' success with its dealing system, which interlinks traders direct. But the overall expansion means that turnover by brokers has also increased significantly.

In future, foreign exchange broking is likely to become an increasingly competitive business, dominated by the biggest companies, such as Exco International; Mercantile House; and Tullett and Tokyo. At the beginning of this year, the Bank of England followed up the removal of rules on foreign exchange brokerage fees, with the abolition of fixed brokerage fees in the Eurocurrency deposit market.

Whether the larger brokers will eventually become part of even larger organisations is the subject of discussion at present. There is pressure in some quarters to change the "O'Brien" rules. These Bank of England regulations led to the breakdown of merger talks between Morgan Grenfell and Exco earlier this year, because of a possible conflict of interest if a principle trader in the banking sector were to own a broker.

Another area in London that will see change is the domestic market, and the creation of interdealer brokers, in the new environment created by the opening up of London's domestic market in October. At the moment it is expected that there will be six interdealer brokers, to smooth-out the trading between the 28 banks, discount houses and other financial institutions forming the market in gilts.

Both the numbers of principle traders and brokers may well be reduced before October, however. Other changes may also occur in the money market, involving the banks and the discount houses.

There are three large independent discount houses, Gerrard and National; Union Discount; and Cater Allen. Alexanders Discount is part of the Mercantile Houses group; Seccombe Marshall & Campion is owned by Citicorp; and Clive Discount will soon be part of Prudential Bache. King and Shaxson is now almost certain to merge with Smith St Aubyn.

At one time, the Bank of England would have shuddered at the thought of financial conglomerates owning discount houses, let alone the idea of a US-owned bank buying what was the authorities' agent in the market, Seccombe Marshall. But this is all part of the changing scene in London.

Discount houses have enjoyed a good year. Sterling has held steady overall, and has appreciated against the dollar, allowing London interest rates to decline, and capital profits to be made on investments in gilts and other paper held by the houses. No one quite knows what will happen after October, and the discount houses, in common with other financial institutions, are preparing for change.

Colin Millham

Tokyo

Top-slot turnover has quadrupled

THE GROWTH of Tokyo's foreign exchange and short-term money markets has been decidedly lopsided over the past few years.

Volume has risen in both as controls gradually disappear, but foreign exchange turnover has taken by far the bigger stride, leaving the money market hobbled by its meagre product line-up and insufficient liquidity.

Until April 1984, when foreign exchange transactions no longer had to be linked to trade deals, Tokyo trailed behind Hong Kong and Singapore as a poor third among Asian centres. Since then, Tokyo has captured the top slot, with estimated turnover quadrupling from between US$1bn and $1.5bn to between $5bn and $6bn a day.

When commercial banks' traditional activity of corporate lending began to shrink, foreign banks, whose profits in Japan have sunk to pitiful levels, were the first to turn to foreign exchange for an alternative source of income.

They were soon followed by Japanese banks, and more recently by non-banks, especially securities and trading houses. Securities companies are lobbying hard for removal of the ban on direct trading by non-banks, claiming that the requirement to go through authorised commercial banks is a paradox now the volume of capital flow-related transactions has become so important in Tokyo.

Capital flows have also had a significant impact on the currency mix. Of the total amount traded through the six money brokers (or *Tanshi*), non-yen deals accounted for $52.8m out of $130.6bn last month, compared with $25.3bn out of $84.5bn in April 1985 and $3.5bn out of $33.3bn in April 1984.

Tokyo built its volume on dollar/yen trading, but now outstrips its two largest Asian competitors in Deutsche Marks and is rapidly catching up in Swiss Francs and Sterling. Data on the market has, however, been misleading since the restriction on direct interbank dealing was lifted in February last year. Estimates on how much business now by-passes the *Tanshi* vary from 10 per cent to a multiple of three or four times the published figure.

According to some sources, the top half-dozen US and Japanese bank participants conduct most of their transactions directly, while smaller players opt for broker back-up for most of theirs.

Others say 20 to 30 banks constantly trade directly, but that exchange rate volatility has kept the share of the total below the expected level. One side-effect of direct dealing has been a cut in brokers' commissions, which were the highest in the world. Now, banks pay similar fees on large transactions to those in London or New York, although smaller deals still cost more.

Despite the limited range of instruments, outstandings in leading money market products (bills and calls, Certificates of Deposit, *Gensaki* or securities with repurchase agreements and medium-term government bond funds or MMF) have swelled from Y13,860bn at the end of December 1980 to Y27,500bn four years later and to Y40,200bn last December.

A major impediment to market development is the total absence of short-term government bonds and domestic Commercial Paper, and the effective absence of Treasury Bills, which the Bank of Japan sells only in sporadic handfuls to mop up fund surpluses.

Short-term government bonds should make their debut before long, but bankers foresee no change on TBs until exemption from transaction tax is discontinued, and they do not expect CP to appear for another two to three years, as the authorities are worried about the effect the subsequent erosion of loan portfolios might have on banks, particularly the smaller ones.

Markets deregulation, carried out largely under pressure from the United States, has produced various new open market products over the past seven years, including CDs (first domestic and then foreign), MMFs, Money Market Certificates (issued by banks with interest rates 0.75 per cent lower than CDs and lower minimum units), foreign CP and yen Banker's Acceptances.

It has also prompted removal of banks' swap limits, liberalisation of foreign currency and interbank deposits, permission for call money to be raised without collateral and the entry of securities houses into the call market plus CD and BA secondary trading.

Not all deregulation measures have been a resounding success. Bankers agree that with less than Y30bn outstanding after nearly a year's existence (the Ministry of Finance targeted Y1,000bn), trade-financing BA's are a flop.

The reasons include the product's 50-to-100 basis point disadvantage against short-term prime, which is due partly to stamp duty, and its lack of appeal to investors who care more about yield than credit risks.

"If BAs were to attract Japanese investors, the yield would have to be at least on a par with the CD rate, which it cannot be (by the nature of the product)," said one Tokyo-based foreign banker.

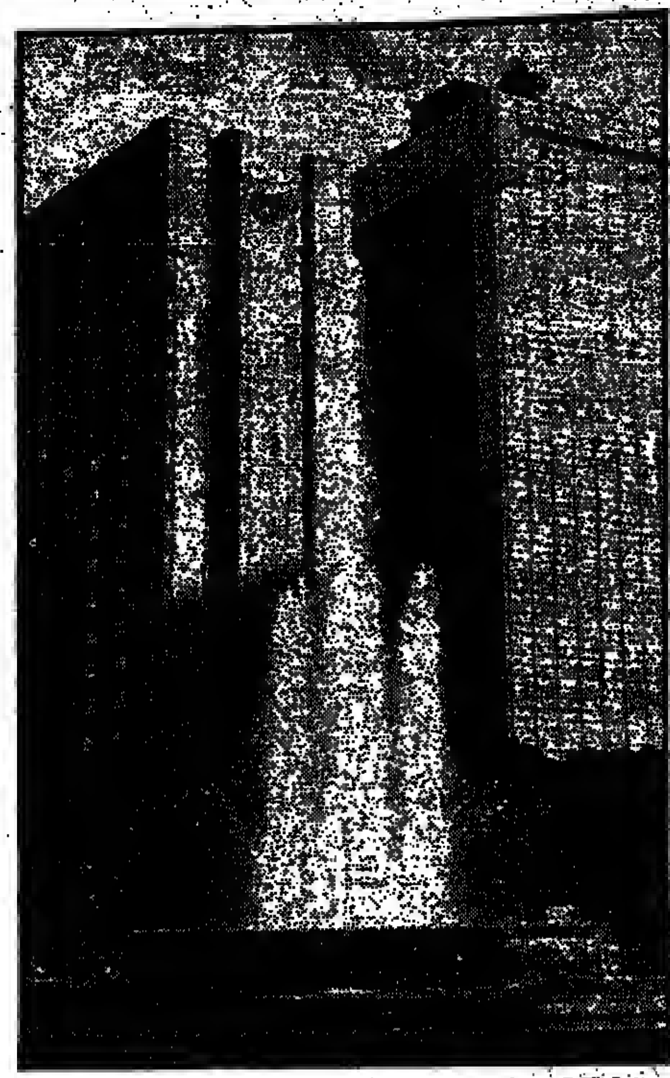
Foreign CP and CDs have made few inroads. Unsecured call money (now allowed for maturities of up to three weeks) probably represents only 20 per cent of the total, as it carries an average premium of ⅛ per cent over its secured equivalent. And inter-bank deposits have not become the force that was forecast—due to BOJ "administrative guidance" for Japanese banks to exercise restraint, bankers say.

Since the open market overtook call money and bill discounts in volume, six years ago, the central bank's grip on monetary control has been progressively loosened as most of the products preclude intervention for one reason or another.

When short-term interest rates were guided higher last autumn, bill discounts and call money behaved as they were supposed to, but open market instruments did not.

Keen to recover some of its lost clout, BOJ allowed money brokers to purchase CDs with funds it provides as a stopgap until TBs and other products gain the necessary status. But the battle can never fully achieve its goal, as the central bank will inevitably hold less influence over a larger money market, when interest rate deregulation is completed in the next few years.

Barbara Casassus



High-rise buildings in the business district of Tokyo

New York

'Master of the game no longer'

THE New York foreign exchange market has enjoyed a golden era of growth since tha late 1970s. Only a year or so ago many traders had become so ebullient about the beavy volume of business they were beginning to talk of a serious challenge to London's supremacy, or at least equal status.

Today, after the dollar's steep decline and a resurgence in European business, the message from the New York trading rooms is much less positive.

Foreign exchange dealing in the US began to take off in 1978 wben new brokerage arrangements were established to link the local market more closely with London. The larger banks were already substantial players in the international foreign exchange business. But the new system opened up contacts across the Atlantic for smaller fioancial institutions and added depth to the activity in New York.

The momentum established by these changes was picked up and carried forward by the growth in the foreign banking community on Wall Street. These banks brought foreign exchange activities with them just at the time wben US institutions were beginning to focus more acutely on overseas investment and therefore provide them with currency dealing business.

US investment banks followed the overseas banks into the arena as foreign exchange became a vital element in the panoply of services they felt they had to offer their clients. Finally, the heady rise of the dollar during the first Reagan Administration belped to support the increasing importance of New York in the worldwide foreign exchange markets.

By the mid-1980s the average size of e trade in New York had grown to between $5m and $7.5m from less than half that six years before, while trading volume bad increased to around $30bn a dsy.

"All the moves at that time seemed to be initieted ont of the US, with the rest of the world playing a waiting game," says tbe bead of one of the Wall Street trading rooms for a UK bank. "Until New York woke np in the morning, dealing in the dollar in Tokyo and Europe would be in a very narrow range. But theo New York could come in and all Hell would break loose."

He edds that today New York more often seems like a "Tail-end Charlie, no longer master of the game," partly because the large central banks in Europe are now playing with a mnch beavier hand. A lot of this activity, he says, is being directed to the Far East and Europe rather than New York.

Another problem for the New York market, says Mr Josepb Volpicella, foreign exchange manager at the Union Bank of Switzerland, is that the concept of the 24-hour trading day failed to develop in the way that many banks had boped for in the late 1970s.

The aim at that time was to establish a strong trading base in Los Angeles as well as New York so that market-making could be picked up on the West Coast once Wall Street closed down and then passed on to Tokyo when California went to bed.

Several banks opened offices in Los Angeles to try to exploit this idea, but none of them proved to be more than a weak satellite of the parent operation back on the East Coast. Almost all these experimental offices, which would probably have strengthened New York's position as a lynch-pin in the overall international system, have now closed down.

Not everyone agrees with this sober assessment of the changing climate in the New York trading rooms. Some dealers argue, for example, that the foreign exchange market bere has begun to attract a lot of the speculative Middle East funds away from Switzerland in recent years and is continuing to hold it.

They also point to the steady growth of large corporate treasury operations in New York, which usually include an active foreign exchange division. Until e few years ago sucb operations were invariably located in London, but several of them have now moved across the Atlantic for proximity to the whole gamut of US financial business.

Despite these more optimistic views, however, the consensus seems to be that the events nf last year, when the dizzy rise of the dollar was halted by more active international government intervention, marked a turning point for foreign exchange business in New York.

Today, says Mr Volpicella, the New York trading rooms are most active in the morning, during the period of overlap with the London market when the Wall Street dealers can take their cue from Europe. With the end of the super dollar, foreign exchange dealing in the US bas also, apparently, been knocked off its pedestal.

Terry Dodsworth

Manhattan skyline, looking over Wall Street and the financial district

FOREIGN EXCHANGE 4

European Monetary System

A refuge from the hazards of dollar and yen

Karl Otto Poehl . . . recently repeated his call for Britain to take the plunge

Michel Camdessus . . . disagreed with the proposed size of the franc devaluation

THE EUROPEAN Monetary System (EMS) has confounded initial sceptics by achieving an important part of the aim of its founders when the scheme was set up in March 1979.

Europe's exchange rate mechanism has indeed turned the continent into an oasis of relative currency stability in a world dominated by the swings of the dollar and the yen. And this stability has brought the wider goal of general convergence among the economies of the European Community at last within reach.

The last three years have been the period when the EMS has won its spurs. French membership of the exchange rate scheme is now universally recognised as the dominant factor in bringing down the inflation gap between France and West Germany—providing a bedrock of stability for the continent as a whole.

When the EMS was established, the West German Bundesbank was deeply suspicious that the mechanism would reduce the central bank's constitutional sovereignty over the D-Mark and lead to a general increase in European inflation.

Partly because the EEC has backed away from more ambitious plans enabling members to pool currency reserves in a community central bank—a move which attracted outright hostility from the Bundesbank—West German fears have been allayed.

The scheme effectively has widened the traditional club of "hard currency" countries clustered around West Germany to include France as well. By deliberately opting for policies to keep the franc steady against the D-Mark through bringing down French inflation from the double-digit figures it inherited in 1981, the Socialist government, following its economic U-turn in 1983, appears to have brought about a sea-change in French economic attitudes.

The right-wing administration that came to power after the March 16 elections seems unlikely to deviate significantly from the basic anti-inflationary stance set down by the Socialists.

The Chirac government, it is true, surprised and disappointed other countries in the EMS by pressing for a larger than anticipated franc devaluation in the realignment which, as expected, took place after the elections.

However, hard bargaining—accompanied by the inevitable element of play-acting to domestic audiences—at the Ootmarsum realignment meeting on the weekend of April 5 brought down the French devaluation against the D-Mark to 5.8 per cent, compared with the 8 per cent originally pressed for by the French.

The franc has, in fact, fallen by only about half that amount against the German currency since the realignment because—as often happens after an exchange-rate shift—the franc has been driven up too close to its new EMS ceiling against the D-Mark.

The overriding result of the Ootmarsum parity changes is thus positive. The realignment provided a text-book example of governments and central banks seizing the initiative and carrying out pre-emptive changes before being forced to do so through exchange-market speculation.

Mr Michel Camdessus, the governor of the Bank of France, disagreed with the size of the devaluation originally pressed for by Mr Edouard Balladur, the new finance minister.

But the devaluation went unheralded by the massive Bank of France intervention on the currency markets, which had preceded previous D-Mark/French franc shifts in the history of the EMS and of its forerunner during the 1970s, the European currency snake. Nor did the Bank of France have to take steps, as it did during the run-up to the previous French franc devaluation in March 1983, to drive up Eurofranc interest rates to astronomical levels to dissuade currency speculators.

One of the abiding lessons of the April realignment was the new-found respect of currency market operators for EEC central bankers' tactics. One of the reasons why the markets did not go short of French francs in the weeks before the March 16 elections was that banks and corporate treasurers had badly burned their fingers carrying out the same operations—and then being penalised by the Bank of France's squeeze on the Eurofranc market—three years earlier.

The April changes also showed that other members of the EEC had learned the German-style rule book of the EMS. Economic orthodoxy, now taken to heart in EMS capital, decrees that devaluations seldom bring significant foreign trade gains but more often stoke up inflationary dangers. This is one of the reasons why the Paris government knows it now has to be extremely careful not to add inflationary pressures in the months following the April realignment. As a prime example of this change in attitures, Italy—which unilaterally devalued the lira in July 1985 (the only previous alteration in EMS currency relationships since March 1983)—provided a surprise in Ootmarsum by refusing to join France in moving its currency downwards.

Likewise, Belgium joined West Germany, the Netherlands and Denmark in revaluing currency (by a modest 1 per cent), breaking the customary link between the Belgian and French franc. This left France a little chagrined as the only country to leave the finance ministers meeting with a formal devaluation—a sign of how much competitive devaluations are now these days out of favour.

The Ootmarsum realignment has enabled EMS countries to push forward further the international round of interest rate reductions spearheaded by the Group of Five action last September, to reduce the overvaluation of the dollar.

The Bundesbank has been reluctant in recent weeks to lower further its discount and Lombard rates. This is partly because capital outflows from West Germany in the wake of the realignment—totalling an unprecedented DM 20bn in the three weeks afterwards—would be accentuated by any further interest rate cut. The Bank of France has, however, continued to bring down the domestic money market interest rate, prodding the country's banks into cutting their base rates on two occasions—although, at 9.6 per cent, these are still seven points above the inflation rate of 2.5 per cent.

There are now three areas where the EMS still needs further development to realise the hopes of its architects.

The first and most glaring question concerns UK membership. Only eight EEC members participate in the exchange rate mechanism of the EMS—Greece, Portugal and Spain have also not joined. Britain's non-participation is a clear failure of Community economic integration.

Britain has achieved its own reduction in inflation to 3 per cent at considerably greater cost to its economic and social tissue compared with the experience in France during the past three years. This has increased the ammunition of British politicians and financial experts arguing in favour of UK membership—although Mrs Margaret Thatcher is still arguing that the time is "not ripe."

French government officials believe that Britain's presidency of the EEC council, in the second half of this year, provides a "window" for UK membership, which may close again if the decision is further deferred. Mr Karl Otto Poehl, president of the Bundesbank, has recently repeated his call for Britain to take the plunge.

Supporters of such a move argue that EMS membership will give Britain protection from the exchange rate buffeting caused by the UK's link to the oil market and the more exposed nature of sterling. Unless the UK takes the step, this claim will remain nothing more than hypothesis.

The second point concerns the EMS's role in promoting wider integration of EEC capital markets—a vital move towards convergence of markets in goods within the Community. Recent lowering of exchange controls by France and Italy, as well as signs in West Germany of greater readiness to liberalise use of the European Currency Unit, are encouraging pointers in this direction.

Finally, uncertainty must remain whether the EMS will stand up to the greater-than-expected German anti-inflationary success. Negative inflation in West Germany—combined with that country's record current account and foreign trade surpluses—renews pressure for France and other EMS members to try to match the performance.

Any continuation of the dollar's slide—which the Bundesbank now feels has gone far enough—would depress still further the German price index, without having probably any immediate effect in cutting the Federal Republic's trade surplus.

Mr Jacques Chirac, the French prime minister, has already spoken of the danger of Paris being forced into another devaluation if its measures to hold down inflation to a hoped-for 2.3 per cent this year prove unsuccessful. EMS governments know that, whatever the successes of the system in the past few years, there is no shortage of challenges in the months ahead.

David Marsh

Currency Forecasts

Volatility follows dealers' caution

THE CHASTENING experience of 1984, when the dollar appeared to defy gravity, put only a temporary brake on the ambitions of the currency forecasters.

Last year they were back, trying to assess the resolve of the US, West German and Japanese governments in their bid to bring the dollar off its pinnacle.

For some time, it seemed like a one-way street. The dollar's value against a trade-weighted basket of currencies dipped nearly 14 per cent in 1985, and from that level it has fallen another 10 per cent so far this year.

First Japan, however, and then West Germany said that enough was enough. Foreign exchange dealers decided, after the world economic summit meeting in Tokyo at the beginning of May, that the US had made up its mind not to back them in calling a halt to the dollar's decline. Yet even in the US there have been occasional sounds of anxiety, especially from Mr Paul Volcker, chairman of the US Federal Reserve Board, over the speed of the US currency's descent.

As dealers become less willing to hold positions in currencies for extended periods, volatility in the foreign exchange markets has increased. As a result, many companies are relying increasingly on currency forecasting services to help them avoid foreign exchange losses.

There are two main purposes for which companies need foreign exchange advice — planning, and hedging currency exposures. And there are two main forecasting techniques — economic or fundamental analysis, and technical analysis.

Many company treasurers, and all technical analysts, regard the track record of economic analysis in predicting exchange rates as extremely shaky. For short-term hedging programmes, as for trading operations in a bank's dealing room, technical analysis — or "chartism" — has won more adherence.

With the addition of momentum modelling and computerisation to the old-style trend charts, technical analysis has come of age. Sophisticated models can take account of movements such as the effects of traders squaring their books at the end of a month, and similar factors which can be of importance in overbought or oversold markets.

The broad aim of technical modelling is to establish a trend channel. The trend is more significant the longer it has lasted and the more times its resistance and support levels — the top and bottom walls of the channel — have been tested.

Certain patterns on a technical chart have acquired picturesque names, and analysts ascribe different predictive powers to these. But one general characteristic of technical models is that they wait until a currency has started to rise before they issue a buy signal, and wait for it to fall before selling — an uncomfortable idea for analysts who seek to buy at the lowest possible price.

"It suffices to say that technical analysis is no longer a step-child of the forecasting industry; in fact it has become the methodology to beat," says Mr Henry Hubbe, managing director of Fintech International in Luxembourg and president of International Treasury Consulting in New York, writing in the journal of the Association of Corporate Treasurers.

It takes some nerve to follow a technical system implicitly, and few companies do so. For the most part, corporate treasurers prefer to use technical systems to help with the timing of their hedging transactions, since using the system's recommendations to the full would probably involve more trading than most boards of directors would be prepared to accept.

However, some studies indicate that waiting a day before acting on a technical system's signal reduces profit potential by around 20 per cent, while waiting a week can eliminate virtually all the profit potential.

Even the most committed technical analysts, however, do not claim uniformly successful results. Mr Richard Jaycobs, general partner in charge of foreign exchange trading with SPSR Partners Inc, Stamford, Connecticut, says that on average only about 55 per cent of technical forecasts are profitable, and many successful forecasters average only 40 to 45 per cent profitable forecasts.

Their success, he says, is not so much in the ability to be right most of the time as in the ability to capture the most significant movement. The average technical forecaster makes roughly four times as much profit on a correct forecast as he loses on an incorrect forecast.

"For a forecaster with 40 per cent profitable forecasts, it is important to note that the likelihood of three or four consecutive incorrect forecasts is approximately 1:6 and 1:10 respectively," he warns.

For planning purposes, the shortcomings of technical analysis become more evident. In the first place, few technical systems make any claims to forecasting beyond six months. Moreover, it is a brave man who tells his board not to worry about the currency aspects of an investment in Turkey over five years because his black box says so.

In longer-term planning, economic and fundamental analysis comes into its own. It may not tell you what the sterling/lira exchange rate will be in five years' time, but an analysis of the underlying economic and political factors can help the decision-making process. At the very least, it should provide some sonorous arguments to back up your hunch.

With most currencies now trading in a more and more volatile way, companies and investors in the UK and elsewhere have cast envious eyes at the stability that has prevailed within the exchange-rate mechanism of the European Monetary System, if not in the relationship of the EMS bloc with other currencies. Until April, the EMS's exchange rate bands had survived unchanged for more than three years, with the exception of the Italian lira.

Technical analysts claim that their systems function just as well in volatile market conditions, while economic analysts can console themselves with the thought that, even if market volatility upsets many of their forecasts, at least it increases the demand for their services.

George Graham

Robin Packshaw . . . "The old style money broking activities are levelling off"

Intermediaries' buy-out

THE LONDON securities market may be flinging itself into a mêlée of alliances and mésalliances in preparation for the Big Bang, but to the money market so many of the "innovations" that deregulatinn will introduce are distinctly passé.

"Most of the major changes that the Big Bang will bring—negotiable commissions, international trading, telephone screen dealing and non-captive clients—we have lived with, and thrived on, for years," said Robin Packshaw, chairman of International City Holdings, which controls Charles Fulton, one of the City's largest money brokers.

Nonetheless, for a money broker like Charles Fulton, deregulation will catalyse profound changes, not least because the distinction between the money market and the securities market will become increasingly blurred.

International City Holdings is the product of the management buy-out which reclaimed the Charles Fulton money broking operation after it had been salvaged from collapse by one of its chief competitors, Mercantile House.

Throughout the 1960s and 1970s Charles Fulton, like all the other dynamic money brokers, had thrived as the money markets expanded and the London-based brokers expanded overseas. In 1981, as part of this international expansion programme, Charles Fulton made the great leap into the New York money market.

The New York venture was a débacle. Charles Fulton's problems in the US were compounded by a sudden series of losses incurred in its foreign exchange dealing.

The company's problems intensified and came to a head when the commodity broker, Gill and Dufus, which held a 43 per cent stake, refused to rescue the company. In early 1982, Charles Fulton was sold to its traditional rival, Mercantile House, for just £6.5m.

Mercantile House did not propose to run Charles Fulton as a subsidiary, but baulked at selling the company back to its original management intact. The managers of each regional division were, however, given the option to buy bock their parts of the company through a series of management buy-onts.

The regional managers exercised their options and, having bought themselves back out of Mercantile House, came together under the oegis of International City Holdings. The only exception was the Far Eastern division, which plumped for independence as Charles Fulton (Asia), yet retains close links with International City Holdings.

In the first year after International City Holdings' formation, it produced pre-tax profit of £317,000 on turnover of £10.6m.

PROFILE

INTERNATIONAL CITY HOLDINGS

Within three years it had turned Charles Fulton into the fourth largest money broking operation in tha City—after Mercantile House, Exco International and Mills & Allen—and produced pre-tax profits of £11.38m on turnover of £45.4m.

Although International City Holdings still sourced 90 per cent of its turnover from the traditional money broking operation, it had expanded into a wide range of parallel financial services.

Thus, in addition to money broking—in eurocurrency and eurodollar deposits, interest rate swaps, foreign exchange transactions, eurodollar CDs and future rate agreements—International City Holdings had diversified into investment management for Lloyds underwriting syndicates, broking and clearing in financial futures and inter-dealer broking in the UK gilts and US government securities markets.

In autumn 1985, the company which had been hauled back from the brink of collapse by Mercantile House just three years before, for £6.5m, decided to go public through a stock market flotation which would value it at £87.4m.

International City Holdings went public in November last year. The issue was more than 17 times over-subscribed.

Since its flotation, the company bas put the capital raised to good use. In January this year it ventured back into the New York market thot had sealed its fate in the early 1980s with the ascquisition of tha securities broker, MKI International, for $19.1m (then £13.3m).

For International City Holdings, the MKI deal not only represented a way of extending its interoational interests, but also offared an entree into the securities markets, both in New York and London, which Robin Packshaw is convinced will be crucial to the future of money brokers after deregulstion.

"The old style money broking activities are levelling nff," be said. "After the Latin American debt crisis, the banks bave steadily moved away from balance-sheet investment into securities. And companies are increasingly turning to debt issues rather than loans to raise capital."

"The gap between the securities and the money markets is narrowing all the time, and deregulation will accelerate that process. The securities markets have grown enormously in recent years, and it is essential that we become port of them."

None the less, International City Holdings, unlike many of its money-broking contemporaries, does not intend to act as a principal in either the money or the securities market, even after tbe Big Bang.

"Our philosophy bas been, and will continue to be, that we will act as an intermediary between the market maker and the investor," said Robin Packshaw.

"After deregulation, market makers and principles will come under increasing pressure because of tight margins and the we are concerned about the question of conflicts of interest. After all, we are brokers, we are not in the business of building Chinese Walls."

Alice Rawsthorn

The Corporate Treasurer

Saving companies from erratic swings

EVERY YEAR an economic theme emerges which can be bandied about as an excuse for lack-lustre profits.

Last year it was the miners' strike and its effects on consumer spending in this country. This year it is erratic exchange rates and their impact on profits gleaned overseas.

Currency fluctuation first surfaced as a problem for British exporters in the early 1970s, after the introduction of floating exchange rates.

The problem has since spawned a profession among tho corporate treasurers who orchestrate the interest-rate swops, fund translation and currency and deposit market speculation which protect companies from exposure to erratic currencies.

Corporate treasurers were introduced to most major exporters through the early 1970s. But it was only towards the end of the decade, when ICI's group treasurer, Archie Donaldson, turned treasury management from o function in the finance department into a fine art, that the profession came to the fore.

As static domestic markets have prompted many small and medium-sized companies to nurture growth overseas, and as currency fluctuations have become increasingly erratic, many relatively small companies bave appointed corporate treasurers to co-ordinate currency management.

Laura Ashley, for example, drafted in a head of corporate treasury 18 months ago, baving handled treasury managemeot within the existing finance department since the mid-1970s.

In its last financial year, to January 31, Laura Ashley gleaned just over balf of its £131.5m turnover and 65 per cent of profits overseas. The US alone produced 60 per cent of profits. The company's currency dealings are complicated by the need to buy raw materials and cloth in foreign currencies, generally the US dollar, Swiss franc or Deutsche mark, and by the presence of its Dutch production plant.

"Currency has been a major consideration for us in the past decade," said Peter Phillips, Laura Ashley's finance director. "But in the past few years, as our US operation has become increasingly important, it bas assumed greater significance.

"In late 1984, the time bad come to appoint a corporate treasurer to take control of currency managements. We keep a constant eye on the money markets and try to make sure that we match our currencies as we go along. We also try to plan ahead so that, if we know we have to buy cloth in a denominated currency, we can buy that currency in advance and cover our exposure."

Holt Lloyd, the chemicals company with a turnover of £83.07m, also sources 65 per cent of profits overseas, chiefly from the US, but has opted to leave currency dealing to individual managers.

"Our finance director bas overall control of currency management," said Tom Heywood, Holt Lloyd's chairman. "But the managing directors of each overseas subsidiary watch curreocy movements on a continuous basis, and we rake o view of our exposure to individual markets.

"We try to plan ahead at the beginning of the financial year by taking a view of the yen, the US dollar and the major European currencies. But in the past two or three years the pound and the dollar have gone up and down like yo-yos, and forward planning has been impossible."

In addition to the problem of juggling currencies through the ups and downs of exchange rates, British exporters face the parallel problem that, in a year like 1985, when the pound rose sharply against the dollar, the discrepancy between the dollar exchange rate at the beginning and end of the financial yeor was so marked that it produced o pronounced distortion in reported profits.

At the end of the 1984 financial year, on December 31, dollar profits translated into sterling at $1.159, and at the end of the 1985 financial year at $1.455. Thus, for every pound of dollar profit earned in 1984, the British exporter gleaned just 80p in 1985.

Similarly for the financial years ending on March 31, the dollar translated at $1.237 in 1985, and at $1.484 in 1986. Thus the British exporter gleoned 83p for every pound of dollar profit from the previous year.

The simplest solution for mony British companies, faced with the prospect of erratic exchange rates erasing buge tranches of overseas profits from their results, was to change their occounting policies from translating overseas earnings at year-end rotes to average rates across the year.

Tom Heywood . . . "We try to plan ahead by taking a view of the yen, the dollar and major European currencies"

Hawker Siddeley, for example, salvaged £10m from its pre-tax profits of £160m, whicb were beavily reliant on the Australian dollar, simply by swapping from year-end to average yearly currency translation. Nonetheless, it still lost aronnd £5m, thanks to adverse exchange rates.

Other companies bave continned with year-end translation. Holt Lloyd, for example, has cbosen this route, even thougb the change to average yearly translation would have reduced its £700,000 currency "losses."

Ostensibly, average yearly exchange rates can be just as unfavourable as leaving currency translation to the vagaries of the money markets.

Although Hawker Siddeley benefited from the change to average translation last year (because the Australian dollar weakened compared with the pound steadily through the year), in 1984, wben the dollar strengthened, it would bave lost £8m by swapping to average translation.

The "average" system does offer stability, bowevar, in thot advance planning is made much easier. Laura Ashley plumped for average translation before its flotation last autumn, for example, in order to ensure a more accurote profit forecast.

"We had three months left in our financial year when we floated," said Peter Phillips. "Anything could bave happened to the dollar exchange rate in that time, and we just couldn't run the risk of issuing an inaccurate forecast.

"At least, by choosing average currency translation, we reduced the margin of error and introduced an element of stability. And stability is what we really need from currency management."

Alice Rawsthorn

Hedging market

Demand disappoints enthusiasts

RECENT sustained high volatility in the dollar exchange rate has boosted the marketing of currency risk management instruments.

Exchange-traded futures and options have enjoyed record trading. First quarter trading on the Chicago Mercantile Exchange, for instance, was 45 per cent up on the same period last year.

The commercial banks which comprise the "over the counter" (OTC) market in hedging instruments have vigorously promoted new products for fund managers and corporate treasurers.

Meanwhile, the investment banks have been busy devising securities for trading on the international capital markets such as dual-currency bonds which incorporate features inspired by the techniques of the hedging markets.

Awareness of currency risk also prompts awareness of interest rate risk. Government bond futures and options have seen boom trading. Instruments such as interest rate cap options, where a borrower guarantees the rate at which floating rate funds can be borrowed, have been developed in the OTC market.

Yet enthusiasts for the hedging markets still say that in some respects they have met disappointing demand so far. Some new exchange-traded instruments have not yet found a reliable market.

Commercial banks say many clients are hard to convince of the virtues of currency risk management, despite the depressing regularity with which exchange rate losses feature on company balance sheets.

In Europe one reason for corporate treasurers' resistance to innovation is the depth of the forward foreign exchange market, which supplies most of their routine needs, and enables them to by-pass the financial futures market.

This leaves the futures market to the banks and professional traders. In the US, in contrast, futures markets can flourish because time-zone disadvantages have prevented the growth of a liquid cash market. Strong retail speculative interest also sustains them.

Unlike futures, options are uniquely flexible. They not only protect against currency swings but also enable the purchaser to benefit from a swing in the opposite direction.

The Philadelphia Stock Exchange . . . A link with London will be forged next autumn.

Futures involve both tha right and the obligatioo to buy a specified amount of currency. Options open up more avenues since they can be sold, exercised at expiry) in the case of European-style options) or before expiry (in the case of US-style options) or abandoned to expire worthless with no delivery taking place.

Options therefore resemble insurance policies. Their cost is determined by reference to the relation of the exercise price to the currency market price, the option's time value, and the volatility of the underlying currency.

Provided that the transaction gain outweighs the option's cost, the purchaser cannot lose. Yet banks' clients are often still hard to convince of this

To enhance the attractions of options, banks have devised variations which reduce the up-front cost. Some, however, have been criticised for reducing flexibility, the option's basis attraction. The "cylinder option" has been called "zero-cost" since a purchaser with e large foreign exchange exposure buys e call option from a bank and simultaneously writes e put option at a lower level.

The two premiums net out et nil. But the purchaser bes reduced his potential gain by locking into a narrow price range

A structure of more obvious usefulness is a compound option ("an option on an option") designed for companies tendering for contracts which do not want to hedge thoroughly against a liability they may not incur but still wish to lock into today's rates.

The cost of this option exceeds normal "tender fnr contract" insurance costs if the final option is taken up, the contract having been won. Only half of the cost is payable on the initial option, however, and the company gains flexibility.

Barclays Bank has recently developed a currency option bearer instrument, with a £5,000 fece value, to provide hedging for small-scale dollar exposure. While this has been criticised es e "speculator's charter," Barcleys seys interest has come mainly from professional investors and small companies

The exchanges criticise the OTC market for the size of premiums on instruments—about 3 per cent on a six-month option to sell dollars et the prevailing market rate, payable up-front. Further, they point out thet when e customer wishes to sell an instrument back to a bank he encounters a "buyer's market."

Unlike exchanges, however, banks provide a customised service in a broader range of maturities and currency mixes. They are the only source, for instance, of sterling/Deutschemark options.

The smaller exchanges et present seem caught in e low-volume vicious circle. New currency options introduced by them remain underused capacity because investors are deterred by wide bid and offer spreads.

In this respect hopes rest on plans for fungibility (interchangeability) of trades with larger exchanges. This means that positions opened on small exchanges can be assured of clearance in a larger and more liquid market.

So far the London Stock Exchange's interest rate and currency options have disappointed expectations because only three market-makers are operating.

The Stock Exchange hopes that volume will pick up when a link with the Philadelphia Stock Exchange is forged next autumn. But sceptics point out that volume has not grown significantly on Singapore's International Monetary Exchange as a result of its link with Chicago. Rather, business has gravitated towards the larger centre.

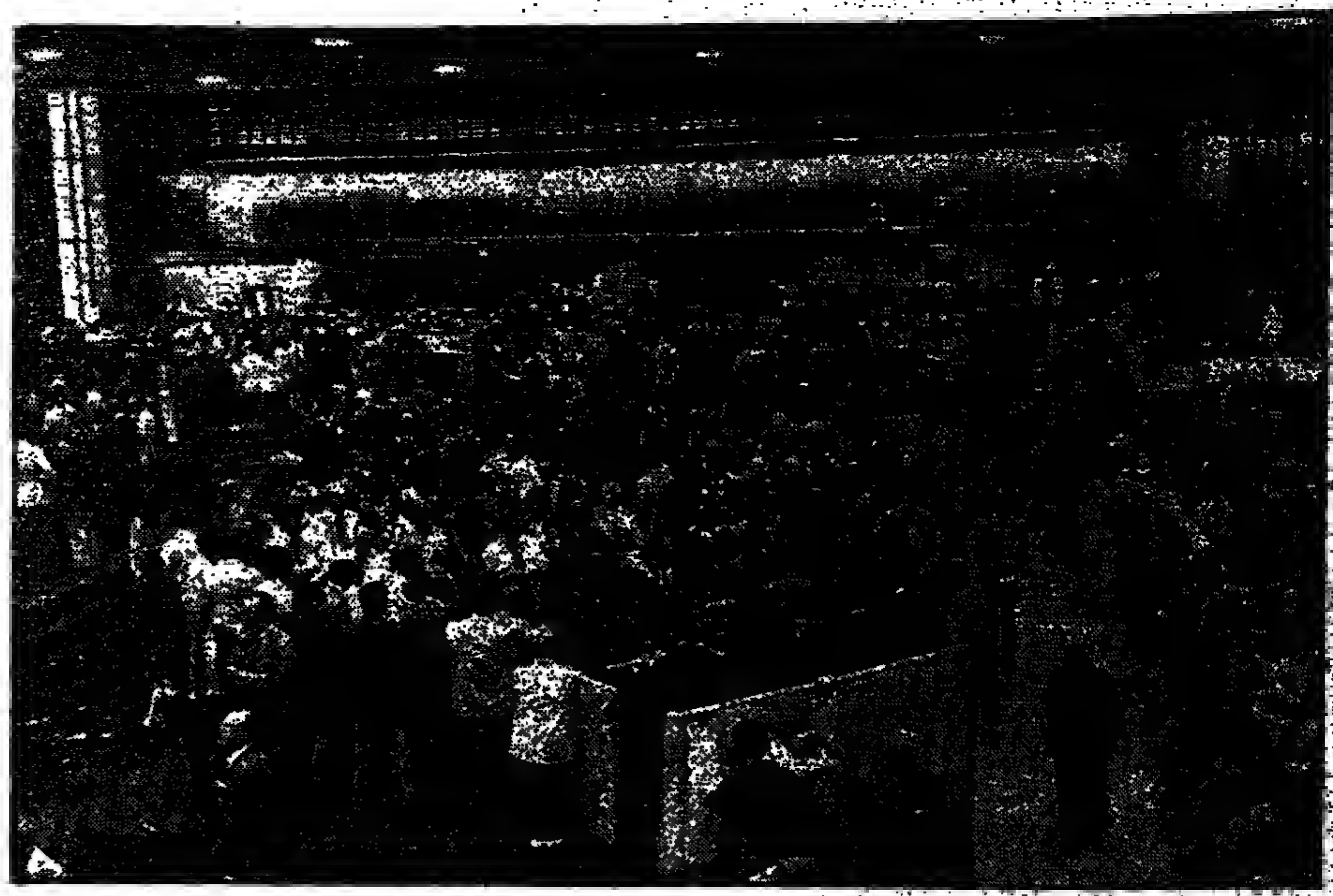
Currency and interest rate options introduced by the London International Financial Futures Exchange (Liffe) have stolen much of the fire from the Stock Exchange. Liffe benefits from the support of the banks. Many of the prospective post-"Big Bang" primary market-makers are members. Liffe also trades contracts in larger amounts and has a more cost-efficient margining system.

During the first four months of this year Liffe's sterling/dollar contract traded at a rate of 60,000 contracts a day. In March, the Stock Exchange's contract managed only 226 trades a day.

Fear of spreading demand too thinly, however, is making Liffe circumspect about introducing new products such as Ecu options. Even so, the exchange seems set to take its place, along with Amsterdam's European Options Exchange and Chicago, as one of the three major centres when the options market matures.

Hedging techniques have become an integral part of financial engineering, even if there is a future downturn in currency volatility. A recent Bank for International Settlements report drew attention to the risks incurred by banks in marketing hedging products. But, paradoxically, it may have had a reassuring effect by providing guidelines.

Clare Pearson



Chicago Mercantile Exchange . . . first-quarter trading was 45 per cent up on last year.

Brokers

Hopes of an end to O'Brien Rules

HOPES ARE running high in the foreign exchange and money broking community, that an end may he in sight to the rules that prevent them from forming close links with banks.

The so-called "O'Brien Rules," named after the former Governor of the Bank of England who laid them down, are designed to prevent conflicts of interest that might arise if a broker were owned by one of its many customers. Many brokers, bowever, feel that they restrict their avenues for raising capital at a time when their need to invest bas become keener.

The ending of restrictions on banks dealing directly in foreign exchange with each other, without the good offices of e broker, and the subsequent development of the technology that allows direct interbank trading, bave called into question the role of the seven London foreign exchange brokers and the eight further brokers that bandle only deposits.

If they wanted to retain a sizeable share of foreign exchange business—conventionally, they ere believed to accouot for around balf of London turnover—they needed to offer services that banks would not bave access to on their own.

"In the short term, the brokers have invested heavily," commented one senior bank dealer, "and the success they bave enjoyed indicates that they heve offered a service thet people ere prepared to pay for."

Nevertheless, maoy believe that brokers' market share is declining. In eddition, the past year has seen the advent of fully negotiable broking commissioos. Although most brokers say the overall level of commission rates has changed little, there has been some erosion of profit margins through larger volume discounts for the major foreign exchange trading banks.

The brokers themselves, if not convinced by the ergument, have in many cases sought to diversify into other markets. In some cases, the diversification is a logical extension of a broker's existing activities—bringing together buyers and sellers for a commission without themselves taking long or short positions.

Five of the six leading foreign exchange brokers, for example, are to become inter-dealer brokers in the restructured gilt-edged securities market which is due to get under way in October. In addition, Mabon Nugent, the leading US broker of overnight federal funds, is to become an IDB.

The sixth major UK broker, R. P. Martin, decided not to apply to become an inter-dealer broker after seeing how crowded the market was going to be. Martin curtailed its diversification plans after it had been acquired by Quadrex Securities, in April 1985. Instead, it bas concentrated more on geographical expansion.

Martin has also begun to add to pure foreign exchange broking — it is known for its D-mark busioess — by moviog into deposit brokiog; while its rival Fultons, which came to the Stock Exchange in October as Internalioual City Holdings, bas taken the opposite tack, building on its deposit broking base.

But diversification goes further for some groups. MAI, better known under its earlier name of Mills & Allen, bas always been sometbiog of a peculiarity in the moneybroking sector, because of its poster advertising division.

Last year, to complement its Garban Gilts subsidiary, which is planning to become a gilts inter-dealer broker, it acquired Gintelco, e leadiog New York corporate bond broker. And earlier this year it bought Wagon Finance, a UK instalment credit operation.

Mercantile House, too, is not only applying to become an inter-dealer broker in the gilts market through its offshoot Fundamental and Marshall Brokers, but also intends to become e primary gilts market maker through Alexanders Laing & Cruickshank.

Mercantile has committed around £25m to this operation, created from Alexanders, the discount house it bought in 1984, and Laing & Cruickshank, the stockbroker whose purchase was completed this year.

For Mercantile's major broking rival, Exco International, the past year has been turbulent. Sitting on a pile of cash from the sale of its 52 per cent stake in Telerate, Exco suffered from upheavals at its fund management subsidiary, Gartmore, and then saw the sudden departure of its chief executive, Mr John Gunn and tha build-up of a menacing stake by the Singapore businessman Mr Tan Sri Khoo Teck Puat.

These excitements may have diverted attention from what remains the core of Exco's business, its Astley and Pearce money broking operations. The Bank of England, bowever, did not forget, end stepped in when Exco entered merger talks with Morgan Grenfell, the merchant bank.

It was these talks that re-opened the whole question of brokers' links with banks and sparked off renewed discussion over whether the restrictions of the O'Brien letter ebould be lifted.

Other brokers quickly called for a withdrawal of the rules, with a unanimous vote by the Foreign Exchange and Currency Deposit Brokers' Association. Exco, which had initially proposed only e revision of the O'Brien letter, was surprised at the strength of other brokers' support for abolition.

Mr Derek Tullett, chairman of the association and of Tullett and Tokyo Forex International, commented at tha time: "It is up to the markets to decide which companies it wants to deal with. Why should we have this restriction on us when it is the principals who should be taking the decision?"

Among the banks, however, opinion is more divided. Some clearing banks, in particular, bitterly oppose an end to the O'Brien rules.

One clearer, Barclays Bank, ran up against the rules last year when it arranged to take control of Wedd Durlacher, the Stock Exchange jobber, which itself had a 25 per cent stake in Charles Fulton, the money brokers. Wedd sold its stake back to Fulton's management in May last year.

But feeling among the banks appears to be moving in the direction of a change to the rules, and the British Bankers Association is now polling its members on whether they would like the O'Brien letter to be revised. Members of the association's foreign exchange committee, led by Mr Alan Orsich of Standard Chartered, appear to have swing behind the case for a change.

Even if the banks do vote for a change, it is the Bank of England which laid down the O'Brien rules in the first place, and it is the Bank alone that can change them. And the Bank's approval is seen as by no means a foregone conclusion.

George Graham

Banks

An established profit centre

At Barclays, the largest European bank in the business, foreign exchange income amounted to £113m in 1985

THESE ARE boom times for banks in the foreign exchange business—at least for those who read the markets right.

Most of the big international banks saw revenues from foreign exchanges trading soar last year, thanks largely to the enormous volatility of currency rates which meant that banks could make money simply by holding positions.

At Citicorp, for example, the US's largest banking group and the bank with the largest share of the world currency market, foreign exchange revenue amounted to $358m, an increase of $100m on the year before. This amounted to over 10 per cent of the group's total revenues.

The increase was even more spectacular at J. P. Morgan, parent of Morgan Guaranty. Revenuea there amounted to $173m, up from $29.5m in 1984. But as an indication of the unpredictability of foreign exchange earnings, Morgan'a revenue had plummeted to that level from $74m in 1983.

At Barclays Bank, the largest European bank in the business, foreign exchange income amounted to £113m, up from £84m the year before. Barclays attributed this to "successful trading in persistently volatile currency markets."

Bank of America, also among the world's top five, made $150m, whicb was up from $101m in 1984. The bank attributed this rise to the sharp growth in hedging transactions made by corporate customers to protect themselves against the sharp nps and downs in the market.

Foreign exchange ia now well-established as a profit centre at banks who, maybe a decade ago, viewed it merely as a service they supplied to their customers. Only a small fraction of their currency turnover is now prompted by their clients' demand: the bulk is accounted for by inter-bank dealing, or by international capital flows—a result of the steady loosening of foreign exchange controls around the world.

By the same token, though, the cost and complexity of the banks' foreign exchange operations has risen enormously, too. Today's dealing rooms are high-technology nerve centres, bulging with the latest telecommunications equipment to girdle the globe, and packed with computers programmed to spot opportunities in a dozen currencies and in foreign exchange-based instruments like options and futures.

More recently, banks have also begun to combine their foreign exchange operations more closely with their dealings in the international capital markets, notably Eurobonds. Many banks are now physically fitting their foreign exchange and bond dealers in the same room—if they can find space big enough.

This is for two reasons. One is that the capital and foreign exchange markets now influence each other greatly, and intelligence picked up in one market can quickly be put to use in the other, particularly on interest rates.

The other is that foreign exchange is also the channel that connects the many domestic financial markets that are rapidly coming together as the trend towards global securities markets gathers pace. Currency swap transactions, in which bonds denominated in different currencies are exchanged, can only be accomplished by institutions that are deeply involved in both the capital and currency markets.

This trend also explains why the banks find themselves facing growing ranks of new competitors in the foreign exchange markets, as investment banks and securities houses seek to gain footholds in the world capital markets as well.

According to a recent survey by Euromoney magazine, the larger banks may be taking business away from the smaller ones. But banks as a whole are losing market share to the newcomers. The 20 largest banks had 36.6 per cent of the market last year, down from 59.4 per cent last year and 50.9 per cent the year before that.

While this may be good news for customers of the foreign exchange markets, because it heightens competition among banks to quote tight prices, many bankers not surprisingly regret this trend.

Some of them complain that the newcomers are not as committed to the market as they are, so liquidity is suffering. The fact that many of these regent arrivals are also unsupervised by the banking authorities may also have increased the risk of counter-party failnre. This has forced banks to evaluate their trading partners more carefully.

Bank earnings from foreign exchange

	1985	1984
Citicorp	358	258
Barclays	113	84
Chemical Bank	102	61
Chase Manhattan	173	119
BankAmerica	150	101
J. P. Morgan	173	29.5

Results in $m, except for Barclays which are in £m.

In London, the world'a largest foreign exchange trading centre, 11 banks baving got together to set np a new computer-based settlement process whicb sbould eliminate some of tbe dealing risks. Instead of settling all their bundreds of transactions with each other, the banks will simply "net ont" their positions at the end of the day. This should greatly reduce tbe danger of losses caused by the domino effect of a single payment failnre.

From a regulatory point of vlew, the Bank of England places limits on the exposures banks may take in the market. But the issue of bow to regulate the growing currency swap markets, the use of options and other new-fangled instruments is of growing concern to bank supervisors. There has even been talk of tighter controls on banks' foreign exchange trading generally, because lt does not apnear on their balance sheets—but still exposes them to risk.

None of this, though, bas yet deterred banks from constantly trying to innovale, and come np with new ways and means of trading currencies, transferring foreign exchange risk, or tapping new markets.

The ability to offer these new instruments is now at the forefront of the banks' marketing efforts—and their investment in new technology. Ironically, though, a lot of evidence suggests that, despite the drama and glamour attached to this, it is still the broad-and-butter business of spot and forward trading in established currencies that counts.

A survey last year by the Group of Thirty, the New York-based blue chip banking group, showed the overwhelming majority of respondents listing these two activities as "essential." Most of the new instruments were rated only "important," an indication that they probably only fulfil passing needs, depending on bow volatile the currency markets are, or bow vital it is for corporate customers to tap different markets.

David Lascelles

Multinationals as mini-banks

Major players in their own right

COMPANY CASH-flows are perhaps the most important influence on the global foreign exchange markets and more and more big corporations are now declaring themselves major players in their own right. As a result, the company mini-bank has come into being.

Operating through a team of four full-time currency dealers, ICI probably runs up around $1bn in foreign exchange turnover on most working days. At BP, the oil giant's newly-created money management company contributed a first-time £23m pre-tax to the group accounts in 1985, largely as a result of a successful year's currency trading.

A number of multi-national companies have long operated big money-servicing operations through separately managed and accountable divisions. Some of the larger US corporations have been in this business for years, while at bome ICI pushed out along the cash management road in 1972.

Others havo more recently moved into step. BP and Volvo, for example, have set up in-house bank-type operations within the past 18 months.

In today'a world of fast-widening financial markets, the competitive pressures on multinational companies to group together, streamline and enhance the profitability of their money flows are all too obvious.

As a major global oil corporation, BP bas an annual cash-flow of around £50bn. Companies as diverse as ICI, Philips of the Netherlands and Volvo and Ericsson of Sweden all see huge sums pass through money management companies every day.

Company mini-banks tend to have four core activities: banking, investing surplus cash, borrowing and currency management. But foreign exchange is perhaps the most important and active component. In 1982, pre-tax profits at ICI Finance, the money servicing offshoot of ICI, were £14.5m. A year later they had rocketed to £132m, only to subside with equal drama in 1984 to £69m.

This is precisely the see-saw performance that can be expected to occur as ICIF absorbed violent currency fluctuations on behalf of its international chemical parent company.

The main message of a recent study of treasury management trends by the Association of Corporate Treasurers concluded overwhelmingly that widening and increasingly active currency markets have dramatically expanded demand for corporate treasury management outside the traditional role of the company finance director.

Within lts sample, the study showed that 90 per cent of company treasury departments bad been formed since 1970 following the dismantling of the Bretton Woods fixed exchange rate systems and the abolition of exchange controls in the UK. The Association's findings showed that if there was a peak for the formation of company mini-banks it was around 1977.

In recent years money has become an increasingly flexible commodity. A kaleldoscope of currency options and bedge mechanisms, allied to tbe increasing use of sopbisticated information systems, has opened up more and more opportunities for money management to the corporate sector—at a time when some multi-national gronps have acquired better credit ratings than many banks.

In theory, BP could turn itself into a formidable competitor to the world'a banking establishment. lts entire financial assets exceed £10bn, a sum big enough to put the company among the top 100 International banks. But thia is theory.

For the foreseeable future, BP bas no plans to apply to the Bank of England for a banking licence at BP Finance International, its treasury management company. lt is content to concentrate on running BPFI as a smooth group money centre.

Having begun in January 1985 with a total staff of around 70, BPFI has expanded to a payroll of some 100, including 12 full-time money dealers. About eigbt of these concentrate on foreign exchange, with the balance looking after BP's demands in the domestic and international money markets. Laat year, its first in business, BPFI had a currency turnover of around £60bn.

BPFI has a number of main divisions: a treasury responsible for BP'a money and foreign exchange trading and its bank accounts; a corporate finance section which handles activities in the debt and equity markets and other merchant banking-type business; commercial banking wbich looks after relations with banks and investors; and a planning and syatems group aimed at taking the longer view.

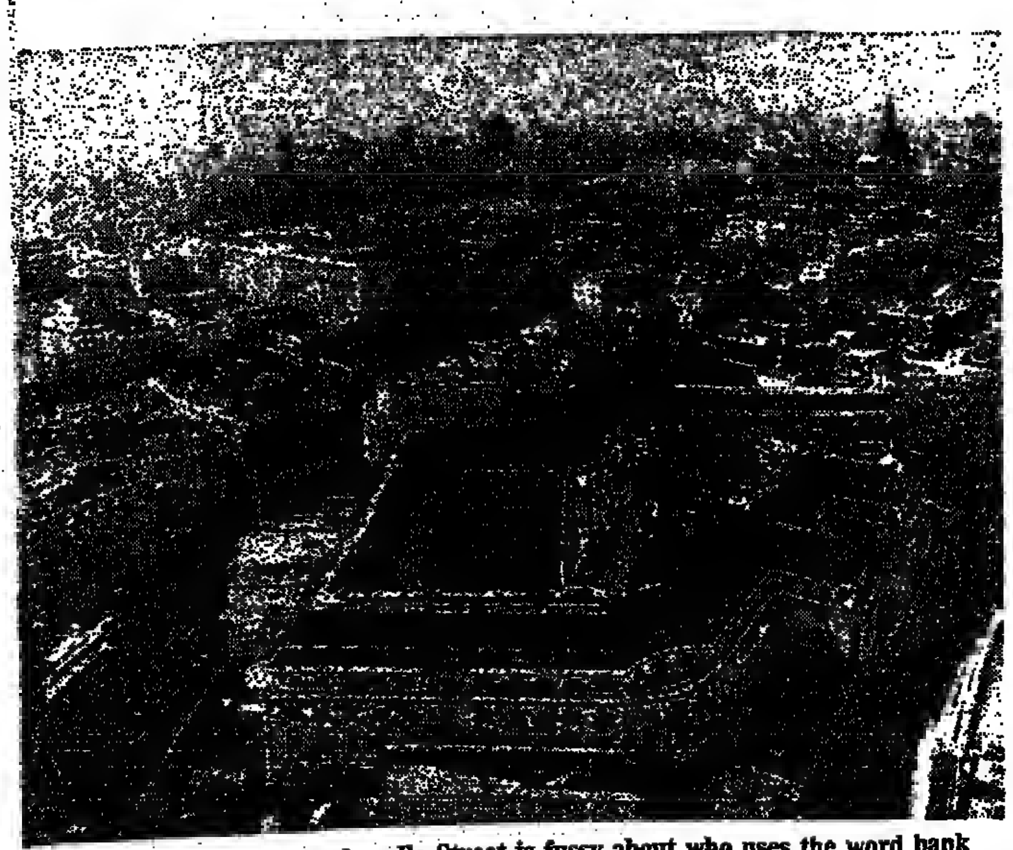
The oil company says the ldea of a bank had been under consideration for some time before the actual formation at the start of 1985. But it is only recently that information terhnology bas made the step plausible, allowing the company'a entire finances to be gathered on a single electronic screen.

Tbe type of operations undertaken at BPFI are of course part of corporate day-to-day work at most multi-national companies. But BP bas gone a stage further in money planning and grouped its treasury operations mucb like a bank—although the company, under some pressure from the Bank of England, tends to frown on the word "bank."

BPFI bas lts own capital base and accounts and a board of directors; and it haa recruited some of its top staff from banking rivals ln the City. But BPFI is not a rorporate entity in its own right, unlike ICI Finance. It exists largely as a management and accounting group.

BPFI already provides some information in the group accounts and more can be expected as the operation expands and soltles down.

Jeffrey Brown



The Old Lady of Threadneedle Street is fussy about who uses the word bank

Technology

Increasing quality and speed in dealing rooms

TODAY'S sophisticated foreign exchange (forex) and money markets could bardly exist without modern technology. They are geographically dispersed, there is no ceotral, physical market floor and dealing is carried out over the telephone. The calculations required are complex and the risks substantial.

So quality of telecommunications and speed of connectioo between dealers or dealers and brokers are critically important. Typically, direct dialling replaces the conventional company switchboard — or, more correctly, an automsted system is installed so thst the exchange appears as an array of private direct lines.

This makes for high-quality communicatiooa but oot necesaarily speed of connection. Cooventional telepbone dialling methods are too alow for the high-pressure world of forex trading. They have been replaced by rapid access systems known as "dealerboards."

Essentially, these make it possible to make a conoectioo between one dealer and another dealer or counterparty almost instantaneously at the press of a single button.

According to the experts, in less time than it would take to dial an conventional public telepbooe oumber, four or five calls could bave beeo completed using a dealerboard. Forex *telephone conversatioos* have to be sbort, to the point and devoid of traditional pleasantries.

One of the most advanced of modern dealerboards, the City Business System from Britisb Telecom, offers almost unlimited numbers of telephone connections through a video "toucb screen." Images of labelled keys are presented on the screen and can be activated by touching the screen with s finger.

Tweoty or so keys can be displayed oo the screen at ooce and a number of screens can be stored in the system's memory.

The biggest change to overtake forex dealing rooms in the past few years, however, is the development of computerised dealing systems.

Foreign exchange dealing was ooe of the first banking specialisms to yield to computerisation. There were strong reasoos. After the abandonment of fixed exchange rates, some form of automation was essential simply to keep track of what had become, by previoua standards, a chaotic market.

The larger banks and brokers had systems built for them hy software bousea to run on their mainframes: the smaller ones started to use forex packages—generallsed pieces of software suited to many different kinds of user—which they ran oo the new, low-cost minicomputers.

Minicomputers were particularly well suited to local branchea of international banks which could not justify the substantial costs of a full mainframe-bssed system.

At that time the emphasis was on automating the "back office" — the accountiog procedures necessary to support the dealers who were still working lo the time-honoured manner with telepbones and alips of paper.

The major trend over the past few years bas been the adoption of dealing support systems—automatioo of the "front office" —and the integratioo of these systems with the earlier geoeration of accounting software.

All this has been made possible by the availability of low-cost personal computers powerful eoough to run specialised foreign excbange software.

BIS of London, for example, made its name with a back office forex package called Midas. This is still the world leader, with some 470 installations, and hss developed a separate desling aystem.

It runs on a network comprisiog a series of IBM personal computers connected to an IBM System/38, a medium-range IBM machine specially designed to bandle large volumes of informatioo.

Persooal computers make it possible for the dealer to receive, on his or her desk, data from external sources soch as Reuters and Telerate, the organisalion's overall position and special features sucb as financial modelliog tools and "What if?" facilities.

The most modern versioo of the Midas forex system also runs on System/38 and it is possible to run both back and front office oo the same macbine.

Accordiog to BIS, the Netherlands Amrobank bas just signed a £1.5m order for Midas/38 because dealer support can be integrated easily into the overall system.

Integration of front office and back office — obviating the oeed to key in information twice — is now seeo as vital to successful forex orperations.

Dealers were at one time reluctant to key in their own deala; but all that has changed, according to Mr John Maulkeraon, developmeot director of dealing room systems at Alimand, a company which speciallised in bespoke financial software but now markets a dealer support package called Odin.

Mr Maulkerson points ont that most dealing rooms are not the football-pitch sized extravaganzas equipped to accommodate several battalions of dealers. More commonly they are small — with betweeo 20 and 30 dealers — and their automation requirements are modest bnt exacting. Odin, for example, is based around the Borroughs B25 microcomputer.

It offers the dealer minote-by-minute information oo positions, average costs, the activities of other dealers and customer-borrower details, in addition to the necessary calculation and analysis tools

Odin, like many of the dealer support systems now available, is designed to fit on to whatever back office accounting system the customer is using, whether it be a mainframe-based, custom-written system or a proprietary product like Midas, Arbat or Kapiti.

According to a new directory*, almost 30 separate companies offer dealing systems in the UK. They include C. P. Technology, CAP Financial Services, I. P. Sharp Associates, and Logica.

An important point to note is that *foreign exchange systems, as stand-alone products*, are on the way out.

Mnch more common nowadays is the dealing room system or financial services system in which foreign exchange is simply one modnle. The Reuter money dealing service, for example, is just one of a package of Reuter financial services. It enables foreign exchange, money market and bullion dealers to deal internationally using a desk-top keyboard and screen.

The same system also displays Reuter Monitor information, the service most used by dealers, according to the directory.

The technology of dealing room systems is becoming more and more advanced. Innovations are likely to include the widespread use of colour on screen and a variety of powerful input devices.

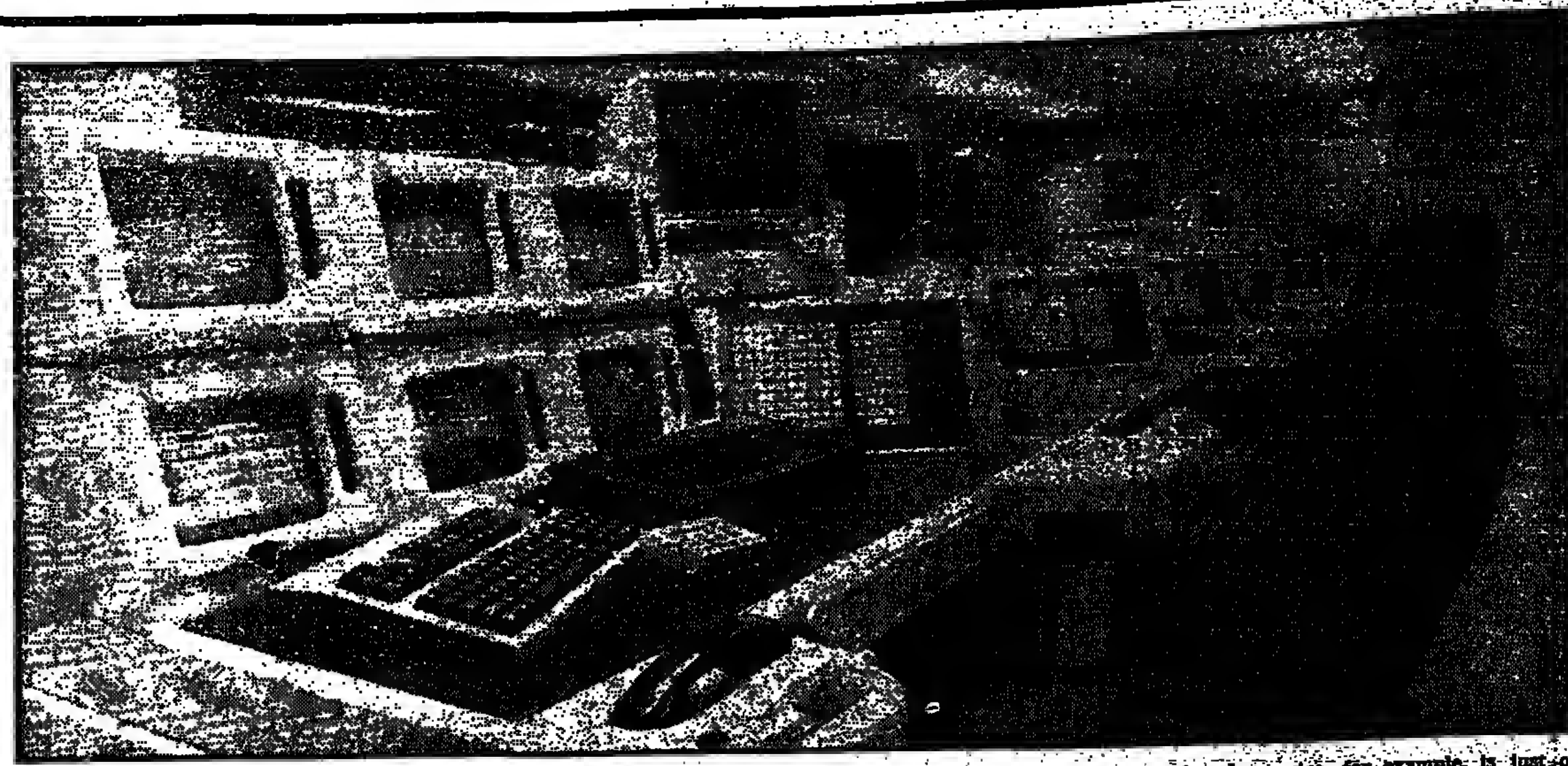
These include tough pads on the dealer desk and voice input. There is also a trend towards the use of digital (computer language) information switching rather than video switching.

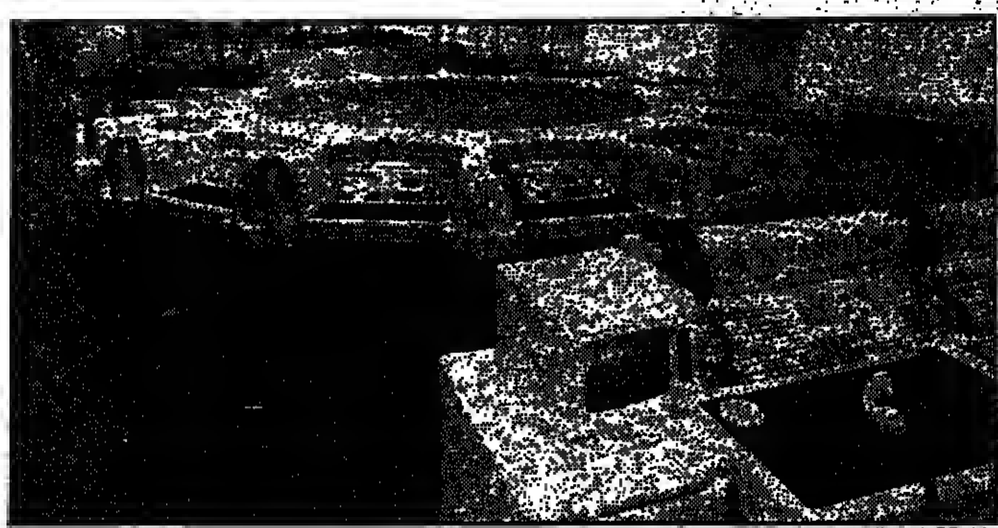
Video has been used successfully by companies like Reuter but is now proving a limitation for concerns which wanted to be able to manipulate incoming data, mix and match it with in-house information and create personalised screens to give their dealers a competitive edge.

They will use it. As the directory points out: "Dealers like money. If you can convince them that what was on offer would help them in their dealing they would accept it."

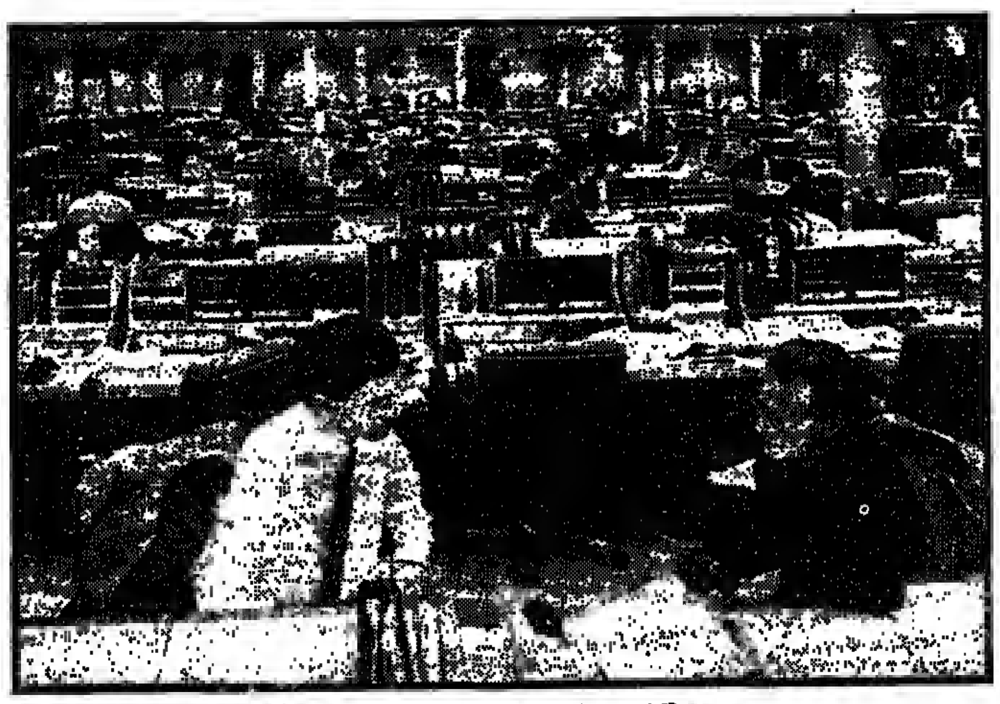
* *Directory of Dealing Room Systems, First Market Intelligence, 10 Denbigh Street, London SW1 2BR.*

Alan Cane





Inside two of London's most modern dealing rooms . . . Exco International (above) and Marshall Woellwarth (below)



The securities room at Kleinwort Benson

AIBD MEETING

Rulemakers close in on the bond market

INNOVATIVE, expanding, still only 20-odd years old and staffed largely by people not too much older, the Eurobond market is hardly handicapped by stuffy tradition, writes **Alexander Nicoll in London.**

But important adjustments to its structure and style are being forced by twin prevailing influences: rule-making and automation.

When members of the Association of International Bond Dealers took the occasional break from partying in Singapore last week, these were the two issues facing them. Both mean that the AIBD, whether members like it or not, is itself playing a more prominent role in shaping and overseeing the market.

With three-quarters of trades going through London, the market will be deeply affected by UK investor protection law now being created. Rules will govern authorisation to deal, how to deal and what you disclose to whom after you have dealt. The alternative would be to move issuing and trading operations elsewhere, though the UK Government has made clear that is has no intention of inhibiting the international markets in London.

The precise UK requirements remain unclear, not least because the AIBD is still awaiting details of the criteria for being recognised as a self-regulatory exchange. But the AIBD has already taken action following the principle expressed by outgoing chairman Mr Damien Wigny that "self-regulation is all the more important if we want to avoid the heavy hand of the authorities themselves."

There was in any case a view in the markets that a measure of rule-making would aid liquidity and deter abuses. This was partly behind the formulation of rules for secondary market makers proposed just before the Singapore meeting. Though many traders welcomed them, there were bitter private comments from smaller firms and from Eurobond brokers – a sign of the discontent which regulation, whether imposed from without or within, is likely to provoke

Discussion of the market maker rules was brief and restrained in the open meeting, since they were not on the agenda and will be voted on at a July 11 meeting in London.

Major points of controversy are stipulations that registered market makers must quote prices in at least 25 per cent of securities in a sector, and that counterparties to deals done through brokers will be identified to each other. Mr Tony Conway-Fell, of Bondpartners, a Lausanne trading firm, said the rules would prevent smaller firms from making markets, thus reducing liquidity, and would restrict brokers' ectivities, contravening a previous AIBD decision.

Mr Tom Beacham, of Wood Gundy, chairman of the market makers committee, responded thet the draft rules were intended to be a flexible basis from which to begin the definition of a market maker. They also reflected a feeling that disclosure would reduce the credit risks associated with brokers acting as principals at a time when the average size of deals is rising.

New issue managers strongly favour disclosure of counterparties because it would prevent co-managers from unloading their holdings nf new bonds anonymously through brokers while the leed manager is supporting the price. Brokers have an uneasy relationship with the rest of the market. They are not always well liked, but the fact is that they are used. There are arguments about whether brokers show prices to traders' end-customers.

Mr Sandy Joyce, of Purcell Graham, one of the leading brokers, said after the meeting that he doubted whether market makers themselves would approve the rules. "I question the authority of some of these people (on the committee) to commit their firms to rules that the firms cannot live with," be said.

The role of brokers was also seen as being under threat from a proposal, approved at the Singapore meeting, to study the US Nasdaq share market to see whether similar technology could be applied to Eurobonds. In the long run, it could involve individual market makers being identified on screens with the prices they are making.

There could also be automatic execution, at least of small orders. The study, as well as being part of the worldwide move towards automation, is part of the AIBD's drive to aid liquidity by heving reliehle prices disseminated on an equal and controlled basis to market participants. Such a system would cut nut time-wasting telephone calls, for example, for valuation of portfolios. For the moment, however, the watchword is caution until the study is completed.

CREDITS AND EURONOTES

Nippon Credit plans extensive certificate of deposit programme

NIPPON Credit Bank has joined the ranks of Japanese banks arranging large-scale certificate of deposit programmes in the Euromarkets. It has selected Shearson Lehman to arrange a $1bn programme for which Merrill Lynch and Salomon Brothers are also dealers, writes Peter Montagnon in London.

As with similar deals for other Japanese banks, the operation is designed to broaden the investor demand for the bank's certificates, thereby eventually reducing their cost.

Nippon Credit is not on the so-called "Japanese run" in the certificate of deposit market, a group of the largest banks whose certificates are interchangeable and command the standard finest rate. But it hopes the programme will help narrow the 7 to 8 basis point yield differential which exists between it and certificates issued by banks in the run.

There are some grounds for optimism in this respect. Other Japanese banks which have gone for large programmes with the same objective had often managed to shave 2 to 3 basis points off the yield premium by dint of appointing dealers dedicated to selling their paper. One reason for this is that the dealers have been able to sell the paper to investors in the US, thus creating a new source of investor demand.

Meanwhile Chemical Bank, as already reported, has launched a fresh £250m, seven-year credit for Hanson Trust, while among deals in the market, Spain's $500 facility has been heavily oversubscribed.

This has paved the way for Electricité de France to launch its long awaited jumbo facility, probably later this week. EdF had been watching the progress of the Spanish deal very carefully and, following its success in syndication, has revised downwards the terms which it regards as suitable for its own operation. The market is thus now expecting a credit on exceptionally fine terms.

P & O, the UK shipping to construction company, has appointed Barclays and County Bank as dealers in a £50m commercial paper programme due to be activated this week. Merrill Lynch is arranging a $100m loan facility for Pima, the US thrift which is owned by Heron International. This is the first revolving underwriting facility to be collateralised by mortgages and mortgage securities and bears an annual underwriting fee of 17¼ basis points.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	4,899.3	46.2	295.5	382.8
Prev	8,443.5	391.8	683.6	336.5
Other	2,743.5	–	9.7	43.1
Prev	4,562.2	–	627.8	28.5
Secondary Market				
US$	26,752.6	1,838.8	15,675.3	2,490.4
Prev	21,399.6	1,411.5	9,209.0	2,302.8
Other	13,227.8	341.7	1,835.5	2,957.4
Prev	8,486.3	144.6	1,160.7	2,940.5
	Cedel	**Euroclear**	**Total**	
US$	14,702.1	37,770.6	52,472.7	
Prev	14,050.0	28,317.3	42,377.3	
Other	10,650.5	10,478.8	21,188.3	
Prev	10,215.4	7,736.5	17,951.9	

Week to May 22 1986 Source: AIBD

INTERNATIONAL BONDS

Thin trading highlights the strength of floaters

THE RELATIVE strength of *floating rate as opposed to fixed rate* dollar Eurobonds, which dealers have been noting for some weeks, became increasingly evident in last week's thin trading, writes Clare Pearson in London.

Royal Bank of Canada ventured into both sectors, with tellingly different results. On Tuesday Orion Royal Bank led a $300m, 99-year issue for the borrower with its coupon set at ⅛ point over the mean of London *interbank bid and offered* rates. This looked generous, especially as the bond offered call protection for the first five years. The market responded with great enthusiasm and the bond traded immediately above par, *finishing the* week at a bid price of 100.20.

In contrast, Royal Bank of Canada's $150m 8⅝ per cent seven-year fixed rate bond, launched on Thursday, also through its Orion Royal Bank subsidiary, was quoted at the end of the week at a bid price representing a discount to issue price of 2⅝ per cent, *putting it substantially* outside its total fees of 1⅞.

Dealers report that when, some weeks ago, investors began to show interest in the floating rate note (FRN) sector their interest focused on high-quality sovereign bonds. Now, however, with large volumes of paper outstanding in the market being redeemed, they are turning their attention to issues by banks. Since such issues have been unpopular for some time, they now look cheap. In the course of last week, sovereign issues gained about five basis points while bank issues added another ⅜ point to their prices.

Supply of sovereign paper is likely to remain low in the FRN sector, although Norway is rumoured to be planning an issue. Where shorter-dated borrowing is concerned, sovereign borrowers can still raise *floating rate finance more cheaply* by borrowing fixed-rate debt first and then swapping the proceeds.

The fixed rate primary *Eurobond* market last week seemed rather unimpressed by the strength of the New York bond market last week. While US Treasury bonds strengthened during most of the week, underwriters, *mindful of the weight of* unplaced paper in the Eurobond market, continued to mark down prices of fixed rate bonds.

This created "stop-go" new issuing activity. The strength of the US Treasury market on Tuesday night, in the wake of the announcement of a US first-quarter growth rate of 3.7 per cent, led a number of lead-managers to seize a short-lived issuing opportunity.

As frequently happens in the Eurobond market, however, too many borrowers launched paper through too small a window. Buyers emerged for Tuesday's four issues later in the week, but in most cases only at prices to give yield spreads over US Treasury issues of about 20 basis points higher than their *bonds' levels at issue.*

Belgium's $300m 8¼ per cent seven-year bond was launched at a margin of some 50 basis points above comparable US Treasury bonds. Buyers emerged only when *the yield on the new bond had shot* up to about 70 basis points.

A glimmer of light appeared on Friday in the fixed rate dollar Eurobond market, however. Dealers began to mark prices up by about ½ point in preparation for this week's trading as US Treasury bonds gained a point during trading time in London.

Gains in US Treasury bond prices also sporadically imparted life to the D-Mark sector last week, although prices were generally unchanged at the end of the week. Only three new deals were launched. Dealers were therefore reassured that the record DM 18bn calendar of new issues for this month, less than a quarter of which has been launched, would never see the light *of day in full.*

Westdeutsche Landesbank added another to a series of long-dated bonds backed by Schuldschein notes from West German states. This was a DM 400m 30-year bond for *Collateralised Securities,* a Jersey company, backed by a loan from the state of North Rhine Westphalia. Investors, unclear on the outlook for interest rates, are resisting these issues.

The Danish kroner market has been attracting the attention of European investors disillusioned with other continental markets as it offers significant yield pick-ups. Unusually, therefore, two borrowers, *Postipankki and Nordic Investment* Bank, launched bonds in this currency last week.

The Swiss franc sector continued to suffer from high short-term interest rates and a diversion of investors' interest towards the more buoyant equity market.

Barlow Rand lifts interim dividend

BY JIM JONES IN JOHANNESBURG

BARLOW RAND, South Africa's *largest diversified industrial group,* benefited from a strong advance in export revenues in the six months to March 31, bringing record turnover and profits. The interim dividend is being stepped up to 24 cents from the 21 cents it has been held at since 1980.

First half turnover increased by almost a fifth to R7.18bn ($1.94bn) from R6.02bn in the corresponding period of 1985. Operating income before interest and tax rose to R590.5m from R502.7m and pre-tax profit was R509.2m against R389.5m. In the last financial year turnover totalled R12.24bn, operating income was R1.05bn and pre-tax profit R828.8m.

Mr Warren Clewlow, chief executive, attributes the turnover improvement *to domestic inflation,* better export realisations due to the rand's decline and an improved performance by J. Bibby which was enhanced by translation into rands at the South African currency's lower *exchange rate.*

Mining and minerals contributed 28 per cent of the interim group profit against 21 per cent last year, Mr Clewlow says. He cautions, however, that the trend is unlikely to be maintained in the second half because the rand price of gold has fallen significantly from its peak in December 1985. Middelburg Steel, which is now wholly owned by Barlow, generated higher export profits on its charge chrome and low carbon ferrochrome sales.

Reunert, the electronics and engineering subsidiary, *slipped into loss* during the half year, but the motor and appliances divisions performed satisfactorily and the earthmoving division performed well, in part because of exports at advantageous rand prices. Cement sales suffered from lower demand, while the food divisions benefited from rationalisation.

Mr Clewlow is cautious on prospects for the remainder of this financial year. They depend largely on the level of consumer demand, he says, as well as on maintenance of export profitability.

First-half earnings increased to 92.5 cents a share from 67.7 cents. Last year's earnings were 184.9 cents a share

The Nippon Credit Bank (Curacao) Finance N.V.

US$ 100,000,000 12⅞% Guaranteed Notes due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(b) nf the Notes, US$ 5,000,000 principal amnunt nf the Notes has been drawn for redemptinn on the 2nd July, 1986, at the redemption price of 101% of the principal amount, together with aecrued interest to 2nd July, 1986.

The serial numbers nf the Nnies drawn for redemption are as follows:—

9	1030	1946	2696	3986	4987	6066	7036	8000	9129	10030	10897	12012	13059	14056	15071	16058	17004	17936	18988
18	1034	1959	2727	4013	5005	6084	7041	8007	9135	10031	10906	12032	13090	14065	15097	16062	17058	17944	18993
83	1059	1967	2751	4027	5012	6104	7058	8008	9166	10062	10921	12067	13094	14120	15110	16063	17071	17965	19019
109	1074	1980	2781	4040	5077	6127	7125	8028	9185	10086	10936	12091	13117	14139	15160	16069	17121	18009	19028
133	1077	1992	2851	4057	5086	6175	7127	8045	9201	10093	10947	12094	13144	14165	15177	16093	17124	18013	19074
144	1089	1996	2853	4068	5088	6177	7128	8073	9209	10095	10954	12129	13145	14171	15183	16168	17135	18057	19076
151	1107	1997	2923	4085	5118	6206	7130	8075	9240	10155	11009	12159	13174	14182	15188	16170	17153	18062	19085
159	1116	2017	2951	4122	5136	6235	7154	8108	9246	10161	11048	12178	13198	14202	15229	16179	17216	18115	19101
187	1120	2030	2960	4123	5146	6243	7163	8185	9263	10170	11074	12194	13250	14255	15257	16190	17248	18132	19105
205	1132	2042	2965	4157	5206	6253	7202	8205	9295	10178	11103	12203	13299	14285	15259	16215	17257	18143	19118
249	1225	2067	3026	4161	5216	6271	7219	8233	9299	10199	11107	12251	13358	14294	15278	16238	17261	18146	19122
264	1246	2073	3033	4166	5296	6289	7245	8269	9313	10218	11120	12263	13359	14312	15279	16244	17287	18148	19185
292	1268	2154	3070	4212	5326	6300	7248	8272	9319	10225	11137	12272	13361	14316	15286	16247	17299	18160	19186
305	1278	2159	3071	4287	5376	6327	7261	8282	9347	10289	11140	12310	13373	14318	15313	16250	17303	18199	19240
311	1316	2225	3093	4291	5388	6339	7273	8295	9384	10299	11270	12311	13426	14347	15343	16254	17309	18204	19255
316	1323	2227	3120	4293	5407	6348	7282	8348	9401	10302	11291	12355	13434	14387	15375	16287	17315	18262	19262
348	1368	2234	3128	4299	5428	6355	7296	8391	9424	10304	11293	12454	13450	14405	15392	16310	17321	18288	19265
366	1371	2271	3139	4326	5431	6368	7319	8401	9464	10306	11294	12464	13487	14410	15396	16314	17345	18289	19269
382	1380	2288	3158	4340	5471	6384	7320	8413	9472	10320	11296	12482	13508	14460	15402	16316	17349	18292	19284
411	1412	2294	3160	4344	5484	6399	7325	8433	9510	10351	11303	12490	13514	14464	15404	16323	17368	18323	19293
436	1420	2298	3172	4345	5500	6447	7327	8449	9518	10414	11304	12495	13530	14498	15429	16363	17376	18331	19299
437	1458	2313	3174	4369	5540	6480	7339	8458	9524	10437	11313	12521	13552	14508	15526	16418	17392	18384	19366
446	1467	2331	3183	4428	5568	6485	7355	8483	9531	10458	11319	12522	13561	14517	15555	16429	17400	18403	19387
470	1528	2332	3261	4518	5594	6497	7367	8486	9535	10473	11348	12550	13565	14525	15556	16452	17402	18422	19418
538	1530	2334	3275	4520	5609	6555	7391	8487	9610	10486	11359	12592	13579	14529	15607	16453	17414	18441	19445
545	1536	2345	3281	4546	5617	6568	7400	8499	9628	10497	11369	12597	13601	14544	15627	16475	17445	18455	19460
554	1548	2355	3284	4550	5641	6586	7402	8500	9630	10516	11389	12649	13612	14545	15676	16480	17479	18571	19496
567	1559	2358	3327	4553	5642	6651	7487	8585	9642	10521	11419	12672	13636	14566	15693	16489	17497	18579	19500
583	1576	2363	3378	4571	5650	6655	7501	8590	9698	10533	11425	12673	13664	14590	15720	16524	17510	18611	19511
586	1581	2373	3448	4639	5668	6666	7506	8612	9699	10557	11443	12682	13666	14616	15733	16543	17512	18618	19512
592	1623	2382	3453	4668	5675	6668	7516	8633	9721	10560	11488	12701	13707	14668	15734	16547	17518	18621	19536
594	1664	2384	3457	4691	5696	6678	7532	8634	9727	10576	11535	12702	13710	14671	15756	16564	17541	18631	19543
613	1681	2431	3508	4692	5713	6703	7560	8656	9735	10589	11563	12712	13721	14706	15774	16581	17561	18642	19594
624	1686	2436	3510	4693	5739	6726	7569	8666	9769	10618	11606	12719	13732	14737	15807	16586	17571	18645	19629
627	1699	2452	3544	4698	5763	6734	7587	8678	9770	10649	11620	12732	13785	14758	15809	16643	17593	18656	19649
669	1762	2454	3580	4728	5801	6752	7681	8695	9792	10666	11625	12753	13786	14770	15812	16669	17614	18679	19655
672	1766	2465	3620	4730	5802	6763	7726	8733	9804	10697	11646	12794	13817	14779	15822	16687	17630	18688	19666
675	1780	2540	3641	4740	5808	6771	7749	8757	9810	10706	11671	12812	13871	14847	15848	16720	17635	18695	19729
682	1783	2558	3643	4755	5809	6805	7757	8807	9816	10715	11702	12894	13881	14862	15851	16735	17663	18721	19731
705	1789	2564	3691	4804	5810	6824	7768	8810	9837	10732	11712	12895	13903	14873	15861	16741	17666	18740	19743
715	1790	2576	3709	4807	5827	6829	7797	8871	9863	10743	11739	12896	13906	14886	15864	16757	17671	18743	19751
718	1796	2585	3716	4815	5858	6832	7808	8904	9925	10747	11749	12924	13916	14895	15874	16780	17762	18798	19756
746	1808	2629	3744	4828	5866	6866	7825	8921	9933	10769	11777	12981	13928	14914	15877	16803	17766	18807	19758
762	1825	2648	3784	4841	5876	6871	7832	8971	9940	10797	11780	12986	13934	14916	15927	16818	17767	18817	19796
771	1843	2653	3808	4845	5895	6968	7887	8999	9941	10799	11782	12994	13953	14923	15932	16853	17773	18880	19847
815	1851	2662	3834	4848	5915	6977	7911	9007	9954	10841	11793	13013	13958	14947	15939	16872	17838	18882	19863
846	1853	2678	3862	4881	5949	6982	7921	9068	9964	10846	11817	13029	13987	14981	15998	16966	17868	18884	19893
895	1867	2680	3866	4905	5986	6988	7923	9074	9991	10863	11959	13031	13992	14991	16012	16970	17896	18919	19936
946	1883	2687	3953	4976	5988	6991	7934	9082	10001	10876	11966	13040	14028	14995	16020	16991	17900	18925	19943
965	1898	2689	3962	4984	6024	6998	7939	9100	10022	10881	12002	13056	14044	15070	16029	16995	17917	18986	19973

On the 2nd July, 1986, the said redemption price will become due and payable on eaeh Note tn be redeemed, togelher witb accrued interest from 30th January, 1986 tn 2nd July, 1986 amounting to US$ 271·81 per US$ 5,000 Note. On and after thst date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on and after 2nd July, 1986 npon presentation and surrender of the said Notes, witb all coupons appertaining tbereto, at any nf the following Banks:—

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Banque Indosuez Luxembourg
39 Allée Scheffer
Luxembourg

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle
Switzerland

Bankers Trust Company, London.
27th May, 1986

Agent Bank

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US MONEY AND CREDIT

Rethink about GNP helps bonds recover

US BOND prices pulled out of their nosedive last week, just in time for the official start of the summer — Memorial Day, which kept the markets closed yesterday.

While some of the upturn was accounted for by technical factors — evidenced by the return of sharp market volatility —there was underlying rationale behind the rebound.

The credit markets started the week on another sour note as crude oil prices pushed back through the $17-a-barrel level, up from April lows of just under $10. But the oil price advance, like the bond price retreat on Monday, was short-lived. By the end of the week crude prices were back around $15-a-barrel.

Meanwhile, the US markets had digested another shock: the upward revision in first quarter gross national product to 3.7 per cent from an initial estimate of 3.1 per cent. The announcement on Tuesday morning sent bond prices sharply lower, but the decline was quickly reversed for two key reasons.

First, on closer inspection the GNP numbers revealed continued economic weakness rather than strength. As Dr Henry Kaufman of Salomon Brothers noted, the upward revision "reflected rapid inventory accumulation rather than underlying strength in demand." This view was confirmed by the April durable good orders which showed widespread weakness in the manufacturing sector.

Second, Wall Street concluded that any strength apparent in the first quarter would simply detract from the second quarter numbers. This view was strengthened by Mr Emmett Rice, a Federal Reserve Board governor, who expressed concern that growth in the second quarter would be significantly lower than in the first three months.

Accordingly most economists set about downgrading their second quarter GNP estimates to 2 per cent or less.

After disposing of the oil price bogy man and the economic numbers there were three other factors on the markets' mind—the dollar, the money supply and the Fed.

From a bond market perspective the dollar performed admirably. In spite a renewed decline in US short-term interest rates which fell by between five and 25 basis points, the dollar continued to advance against most other major currencies — perhaps reflecting even more disappointing economic news from overseas.

Elsewhere, in spite of the lingering doubts, economists and others sought to calm inflationary nerves and assure investors that the Fed is not overly worried by rapid M1 growth. Among these Mr Preston Martin, the former Fed vice chairman, in his first speech since leaving office, indicated that Fed policymakers are not concerned by monetary growth unless at least two of the three main money measures are above target.

With the Fed's policymaking Federal Open Market Committee (FOMC) meeting last week, that was welcome reassurance for the markets. Indeed, all the indications were that the FOMC voted to maintain a stable accommodative monetary policy stance — as had been expected.

The release late on Friday of the April 1 FOMC meeting report held few surprises. At that meeting the FOMC members voted unanimously for no appreciable change in monetary policy. Just over two weeks later the Fed cut its discount rate by half a percentage point to 6.5 per cent, but the report makes it clear that this action was primarily a response to international and market developments.

Underlining this, the FOMC report reveals that the members held a telephone conference on April 21, three days after the discount rate cut, at which they agreed that open market operations should be conducted under the framework of the April 1 directive which was to "maintain the existing degree of pressure on reserve positions."

More pointedly the FOMC noted that, in the wake of a strengthening of oil the monetary measures, its policy was meant to demonstrate "a degree of reserve caution. To avoid an impression that a further change in the discount rate was sought over the immediate period ahead."

Significantly, US short and long-term rates bottomed just before or after the April discount rate cut and since then Wall Street has been trying to figure out what happens next.

According to Dr Kaufman the Fed will "want to appraise both the durability of the US dollar's recent rally and second quarter economic developments" before responding to disappointing economic numbers both in the US and abroad. He adds: "It remains likely that further monetary accommodation will be initiated abroad, where economic growth lags that in the US. In the meantime, US monetary policy will remain supportive of a Fed funds rate in the 6.75 to 7 per cent range."

Mr Albert Wojnilower, First Boston's chief economist, also believes another discount rate cut is still on the cards. Speaking in Singapore to the international bond dealers' annual meeting, he said market interest rates both in the US and elsewhere would fall substantially this year and would be accompanied by one more discount rate cut.

However, he predicted an acceleration of economic growth and inflation generally later this year or in early 1987, and said bond yields should once again climb substantially above short-term rates.

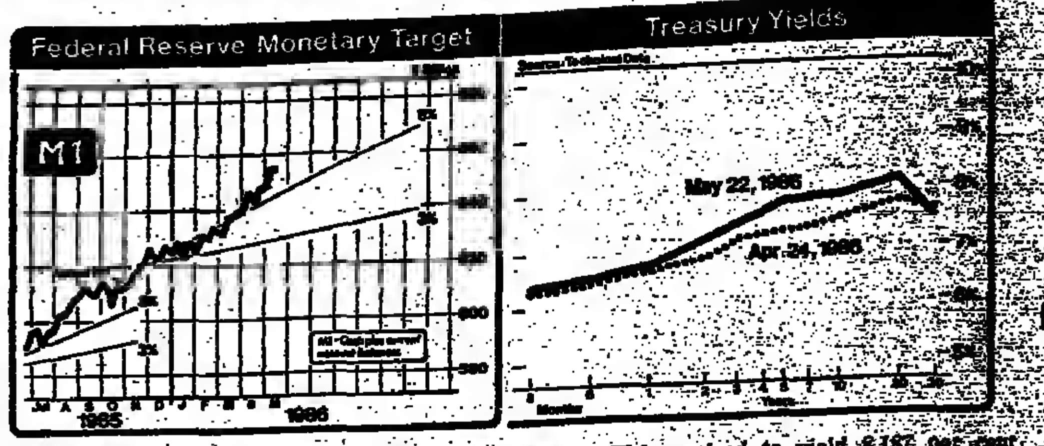
For the moment the Treasury yield curve remains moderately positively sloped at 110 basis points between three-month and 30-year yields — despite the sharply negative 20 to 30 basis point slope between 20 and 30 years — reflecting the shortage of new long bonds apparently due to limited selling by Japanese holders.

Overall Government bond prices advanced by up to two full points last week. This week the market's resolve will be tested again by the auction of $7.75bn in five-year notes tomorrow, and by Thursday's planned release of April's leading economic indicators.

Corporate treasurers meanwhile launched a relatively modest $1.8bn of new issues into the markets last week. These included a $800m offering of five-year 8½ per cent notes from General Motors priced to yield 8.187 per cent and a twin $300m offering of five-year 8¾ per cent notes priced to yield 8.42 per cent from General Motors Acceptance Corporation.

Most medium-term corporate bond prices posted gains of a point or more last week while long-term issues gained half a point and new issue yields fell by 13-38 basis points.

Paul Taylor



UK GILTS

Muted market reaction to cut in base rate

THE GILTS market could summon up only a muted cheer when National Westminster Bank cut its base rate to 10 per cent late on Thursday. The best of the week had been seen the previous day, when some stocks rose by ½ in the wake of Wall Street's strong overnight advance.

NatWest's move caught the other clearing banks on the hop, but the message from the authorities was that they should have seen it coming after a week in which the Bank of England had been extremely accommodating in the money markets.

On Monday, the unwinding of a £1.3bn gilts repurchase contributed to a shortfall of £950m in the money markets and could have left rates tight at the short end, but the Bank provided early assistance. This helped to keep overnight rates down to 11 per cent and held three-month money below 10½ per cent.

With a still larger shortage of around £1.4bn, the Bank was yet more accommodating on Wednesday. In an early round of assistance it bought £10m of eligible bills outright and, more significantly, offered a £969m unrestricted bill repurchase agreement maturing on June 12 at the relatively modest rate of 10¼ to 10½ per cent. It capped that with an even shorter repurchase agreement, this time of £350m maturing on June 4 at 10¼ per cent.

The discount houses interpreted these moves very bullishly, and although the flat position in the money markets on Thursday left the Bank with no room for further signals, it came as no surprise that it ratified the new structure of interest rates on Friday morning by lowering its dealing bands by half a point.

This was the base rate cut that should have come the previous week on the back of 3 per cent retail prices inflation, but for the simultaneous announcement of bad output, unemployment and earnings figures which stole the thunder.

The economic arguments for and against a base rate cut are still delicately balanced. On one side of the case, the authorities have to look at the "liquidity glacier" about which Mr Robin Leigh-Pemberton, the Governor of the Bank of England, expressed anxiety in his evidence to the Treasury and Civil Service Committee of the House of Commons.

In addition to the existing glacier, broad money continues to grow rapidly while the pace of increase in wages and salaries per unit of output in the manufacturing industries leapt to a startling 8.9 per cent a year in March.

The Chancellor of the Exchequer and the Employment Secretary continue to wring their hands over the rise in labour costs. City economists, however, are less than sanguine over the prospects for reducing the level while the state sector seems to be taking the lead with pay settlements at a minimum of 6 per cent, even if these settlements are to be deferred.

On the other side of the balance is the case for stimulating an economy that has shown clear signs of slowing down in the first quarter. Yet the extra cash in consumers' pockets that results from earnings outstripping inflation and from the two cuts in the mortgage rate this year should already be providing a stimulus to the consumer spending that is the main plank of the Treasury's growth forecasts for this year. This should reinforce the evidence of the CBI Industrial Trends survey that a revival may be in progress.

In the end, however, the cut comes down to little more than an adjustment to 3 per cent inflation. The foreign exchange markets took it in their stride, marking sterling down only slightly. As base rate movements go, this was perhaps one of the least momentous.

As one broker remarked last week: "NatWest must have felt it owed the market one to make up for its rights issue."

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	100	105⅛	−0⅛	10.66
AIDC 11 89	[illegible]	[illegible]	[illegible]	8.07
Alcan Australia 9⅛ 89	[illegible]	[illegible]	[illegible]	8.89
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	8.88
Amer Savings 12⅛ 88	[illegible]	[illegible]	[illegible]	10.18
Asian Dev Bk 11⅛ 93	[illegible]	[illegible]	[illegible]	8.64
Australia 11⅛ 88	[illegible]	[illegible]	[illegible]	7.45
Australia 11⅛ 95	[illegible]	[illegible]	[illegible]	8.83
Austria 15⅛ 88	[illegible]	[illegible]	[illegible]	8.59
Avon O/S Fin 0 96	[illegible]	[illegible]	[illegible]	7.65
Bk Nova Scotia 12⅛ 87	[illegible]	[illegible]	[illegible]	5.38
Bank of Tokyo 12⅛ 92	[illegible]	[illegible]	[illegible]	7.99
Bank of Tokyo 13⅛ 91	[illegible]	[illegible]	[illegible]	8.27
Bank of Tokyo 13⅛ 89	[illegible]	[illegible]	[illegible]	8.38
BMW O/S Fin 10⅛ 91	[illegible]	[illegible]	[illegible]	8.23
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	8.76
Br Col Hydro 11⅛ 93	[illegible]	[illegible]	[illegible]	0.43
Br Col Hydro 12⅛ 14	[illegible]	[illegible]	[illegible]	8.49
Br Col Hydro 12⅛ 13	[illegible]	[illegible]	[illegible]	10.00
Bristol Fin 11⅛ 90	[illegible]	[illegible]	[illegible]	9.77
Caisse Nat En 11⅛ 95	[illegible]	[illegible]	[illegible]	10.11
Canada 10⅛ 90	[illegible]	[illegible]	[illegible]	8.42
CBS Inc 11⅛ 92	[illegible]	[illegible]	[illegible]	7.62
Carrefour S A 10	[illegible]	[illegible]	[illegible]	9.36
Chesebrough 12 93	[illegible]	[illegible]	[illegible]	8.40
Chubu Elec Pwr 13⅛ 91	[illegible]	[illegible]	[illegible]	9.88
Citicorp O/S 10 89	[illegible]	[illegible]	[illegible]	10.16
Citicorp O/S 11⅛ 90	[illegible]	[illegible]	[illegible]	9.54
Citicorp 11⅛ 92	[illegible]	[illegible]	[illegible]	10.23
Citicorp 11⅛ 97	[illegible]	[illegible]	[illegible]	10.05
Citicorp O/S 14	[illegible]	[illegible]	[illegible]	10.40
Citicorp 11⅛ 92	[illegible]	[illegible]	[illegible]	13.84
CNCA 13⅛ 91	[illegible]	[illegible]	[illegible]	8.47
Coastal Int 12⅛ 89	[illegible]	[illegible]	[illegible]	9.45
Coca-Cola 12⅛ 89	[illegible]	[illegible]	[illegible]	9.01
Cp Fn de Paris 13⅛ 89	[illegible]	[illegible]	[illegible]	7.81
Continental Grp 11⅛ 93	[illegible]	[illegible]	[illegible]	10.51
Creditanstalt 13⅛ 91	[illegible]	[illegible]	[illegible]	18.43
Dai-Ichi Kangyo 12⅛ 90	[illegible]	[illegible]	[illegible]	8.28
Denmark 10⅛ 90	[illegible]	[illegible]	[illegible]	8.45
Denmark 11⅛ 92	[illegible]	[illegible]	[illegible]	9.29
Denmark 12 90	[illegible]	[illegible]	[illegible]	8.62
Denmark 13 91	[illegible]	[illegible]	[illegible]	12.34
Denmark 13 92	[illegible]	[illegible]	[illegible]	8.44
Denmark 13⅛ 91	[illegible]	[illegible]	[illegible]	12.68
Denmark 13⅛ 88	[illegible]	[illegible]	[illegible]	0.63
Denmark 14 90	[illegible]	[illegible]	[illegible]	7.98
Digital Equip 11⅛ 89	[illegible]	[illegible]	[illegible]	10.81
Dutch St Mines 11⅛ 91	[illegible]	[illegible]	[illegible]	8.21
Exportfinans 11⅛ 92	[illegible]	[illegible]	[illegible]	8.22
Exportfinans 11⅛ 93	[illegible]	[illegible]	[illegible]	8.49
Export Dev 12⅛ 90	[illegible]	[illegible]	[illegible]	9.23
Elec de France 12⅛ 87	[illegible]	[illegible]	[illegible]	8.40
EEC 11⅛ 90	[illegible]	[illegible]	[illegible]	7.59
EEC 12 93	[illegible]	[illegible]	[illegible]	7.42
Elf-Aquitaine 12⅛ 89	[illegible]	[illegible]	[illegible]	8.02
Ericsson L M 10⅛ 89	[illegible]	[illegible]	[illegible]	8.49
Euro Inv Bk 11⅛ 90	[illegible]	[illegible]	[illegible]	8.44
Euro Inv Bk 11⅛ 91	[illegible]	[illegible]	[illegible]	8.94
Euro Inv Bk 12⅛ 91	[illegible]	[illegible]	[illegible]	8.09
EDC 12⅛ 92	[illegible]	[illegible]	[illegible]	8.77
EBC 13 98	[illegible]	[illegible]	[illegible]	8.11
EDC 10⅛ 88	[illegible]	[illegible]	[illegible]	8.37
EDC 11⅛ 89	[illegible]	[illegible]	[illegible]	7.67
EDC 12 89	[illegible]	[illegible]	[illegible]	7.59
EDC 12⅛ 87	[illegible]	[illegible]	[illegible]	7.88
[illegible]	[illegible]	[illegible]	[illegible]	5.04
[illegible]	[illegible]	[illegible]	[illegible]	7.44
Fed Dept Store 11 90	100	108⅛	−0⅛	8.21
Finland 11⅛ 88	100	105⅛	0	7.82
Finland 12⅛ 94	75	121⅛	+0⅛	8.54
Finnish Export 12⅛ 87	75	106⅛	−0⅛	7.83
Firstfed Mich 1 13⅛ 89	125	118	−0⅛	8.38
Florida Fed 12⅛ 89	100	105⅛	−1	10.09
FNMA 11.5 91	300	110⅛	0	8.83
Gen Elec Cred 0 96	600	43⅛	−0⅛	9.56
Gen Elec Cred 9⅛ 91	100	104⅛	0	8.71
Gen Elec Cred 10⅛ 90	200	104⅛	−0⅛	8.76
Gen Elec Cred 11 91	200	107⅛	−0⅛	9.38
Gen Elec Cred 11⅛ 87	200	104⅛	−0⅛	10.78
Gen Elec Cred 12 94	200	110⅛	−0⅛	10.12
Gen Foods Cap 11⅛ 90	75	108⅛	−0⅛	8.88
General Mills 8 12 91	100	109	−0⅛	9.80
GMAC 10 88	200	103⅛	0	7.69
Gen Motors Acc 10⅛ 90	200	104	−0⅛	9.14
Gen Motors Acc 11⅛ 90	100	106⅛	−0⅛	8.38
GMAC O/S Fin 15⅛ 87	100	102⅛	−1⅛	11.22
GTE Finance 12 96	75	103⅛	−0⅛	11.43
Gulf Oil 10⅛ 94	100	102⅛	+0⅛	8.72
GZB 14 91	100	121	0	8.71
Hell Air Fin 12⅛ 91	100	106⅛	0	10.47
Household Fin 11⅛ 92	100	110⅛	−0⅛	8.15
IBM 9⅛ 88	200	103	8	9.22
IBM (WTC) 10⅛ 89	300	104⅛	−0⅛	8.74
IBM Credit 11 89	100	105⅛	−0⅛	8.15
IC Industries 8⅛ 87	35	99⅛	+0⅛	8.58
IC Industries 12 90	75	108⅛	−0⅛	8.28
Inco 9 92	100	99⅛	0	8.14
Ind Bk Japan 10⅛ 92	100	110⅛	0	8.30
Ind Bk Japan 10⅛ 95	100	112⅛	−0⅛	8.78
Ind Bk Japan 11⅛ 89	125	109⅛	+0⅛	7.54
Ind Bk Japan 11⅛ 91	100	114⅛	+0⅛	8.37
Int-Amer Dev 12⅛ 91	150	117⅛	−0⅛	8.54
Int-Amer Dev 11⅛ 94	200	122⅛	−0⅛	8.08
Int Paper 12 91	75	106⅛	−0⅛	18.30
Int Stand Elec 0 97	112	33⅛	−1⅛	18.53
Int Stand Elec 12 96	75	108⅛	−0⅛	10.94
ITT 11⅛ 89	125	107⅛	0	8.97
ITT Credit Corp 10⅛ 90	75	104⅛	−0⅛	8.06
Japan Airlines 12⅛ 94	70	121⅛	+0⅛	8.81
Japan-Dev Bk 10⅛ 92	60	105⅛	−1⅛	8.29
Kellogg Co 10⅛ 90	100	106⅛	−0⅛	8.76
Kellogg Co 11⅛ 92	100	110⅛	−0⅛	8.71
Kimberley-Clark 12 94	100	118⅛	−0⅛	5.76
Kyowa Fin HK 12⅛ 90	100	114⅛	−0⅛	9.33
Long Term Cred 10⅛ 90	100	106⅛	+0⅛	8.22
Long Term Cred 11 90	100	108⅛	0	8.28
Long Term Cred 11⅛ 89	100	109½	+0⅛	8.16
Long Term Credit 12 93	100	118⅛	−0⅛	8.56
Macy R H 11⅛ 91	100	105⅛	+0⅛	10.17
Macy R H 11⅛ 95	100	106⅛	−0⅛	10.57
Marubeni 11⅛ 91	100	106⅛	−8⅛	8.70
McDonalds Fin 11⅛ 94	75	108⅛	−0⅛	10.00
Merrill Lynch 12⅛ 89	100	106⅛	−0⅛	10.36
Michelin 10 94	125	101⅛	−0⅛	9.76
Mitsubishi Cp 10⅛ 92	100	108⅛	−0⅛	5.57
Mitsubishi Cp 10⅛ 95	200	105⅛	−1⅛	8.63
Mitsubishi Cp 12⅛ 91	100	116⅛	−0⅛	8.25
Mitsubishi Est 10⅛ 92	50	106⅛	−0⅛	5.14
Mitsubishi Est 11⅛ 89	50	105⅛	−0⅛	8.18
Mitsui Fin Asia 12⅛ 92	100	112⅛	−0⅛	8.20
Mitsui Tst Fin 12 91	100	114⅛	+1⅛	8.08
Mobil Corp 10⅛ 90	200	103⅛	0	9.09
Montreal City 12⅛ 91	70	173⅛	−0½	9.96
Mgn Guaranty 12⅛ 89	150	110⅛	−0⅛	8.11
Morgan J P 11⅛ 92	100	108	−0⅛	8.38
Mount Isa Fin 13⅛ 87	100	105⅛	−0⅛	0.44
Ned Gasunie 11⅛ 90	75	111⅛	−0⅛	8.06
Ned Gasunie 11⅛ 91	75	107	−0⅛	3.36
N Eng Lf Mtg 11⅛ 95	149	112⅛	−1⅛	3.83
Newfoundland 13 91	75	116	−0⅛	5.09
Nippon Cred Bk 13⅛ 89	100	114⅛	+8½	8.27
Nippon Cred Bk 9⅛ 93	50	97⅛	+0⅛	8.73
Nippon Tel Tel 11⅛ 90	100	111⅛	−0⅛	7.72
Nippon Tel Tel 12⅛ 91	100	116⅛	−0⅛	8.19
Nissho Iwai 10⅛ 92	100	106⅛	−0⅛	9.28
Nova Scotia 11⅛ 91	100	105⅛	+0⅛	10.25
Nova Scotia 11⅛ 98	100	113½	0	9.76
Oester Post 12⅛ 89	75	108⅛	−0⅛	0.36
Ontario Hydro 11⅛ 94	200	117⅛	−1⅛	8.45
Ontario Hydro 11⅛ 90	200	112⅛	−0⅛	8.22
Ontario 12⅛ 94	250	122	+1⅛	8.77
Orient Fin 11 92	50	107	−0⅛	8.32
Pacific Gas & El 12 00	75	115⅛	−0⅛	8.81
Penney J C 11⅛ 90	100	105⅛	−0⅛	10.22
Penney J C 12⅛ 91	100	112⅛	−0⅛	9.54
Phillips Petrol 14 89	200	101⅛	0	13.28
Postipankki 11⅛ 90	75	100⅛	−0⅛	5.81
Post-Och Kred 13⅛ 87	50	106⅛	−0⅛	7.38
Privatbanken 12⅛ 95	100	118½	8	8.35
Prudential Ins 12⅛ 87	150	106⅛	0	7.58
Pru Rlty Secs 0 98	365	34⅛	−0⅛	8.84
Pru Rlty Secs 11⅛ 92	396	106⅛	+0⅛	10.18
Pru Rlty Secs 12⅛ 95	646	114⅛	−0⅛	8.66
Quebec Prov 12⅛ 94	150	114½	−0⅛	8.95
Queensland Gvt 11⅛ 89	100	108⅛	−0⅛	8.13
RBC 11⅛ 90	100	107½	−0⅛	8.71
Rural Bk Aust 12 91	50	110⅛	−1	8.11
Sanwa Bank 11⅛ 92	150	112⅛	−0⅛	8.98
Sanwa Intl 11⅛ 92	100	113⅛	−0⅛	8.57
Saskatchewan 10⅛ 92	100	110⅛	−0⅛	8.31
Saskatchewan 10⅛ 90	125	108⅛	−0⅛	8.13
Saskatchewan 11⅛ 89	100	111	−0⅛	8.08
Saskatchewan 15 92	150	128⅛	−0⅛	8.76
Saskatchewan 16 89	125	118⅛	−0⅛	8.22
Scot Intl Fin 14⅛ 96	50	118⅛	8	11.10
Sears O/S Fin 0 98	800	34⅛	−0⅛	9.10
Sears Roebuck 10⅛ 91	150	106½	0	8.11
Sears Roebuck 11⅛ 91	150	112⅛	−0⅛	8.34
Sec Pacific 12 92	100	114⅛	−0⅛	9.75
Shearson/Amex 12⅛ 94	100	114	−1	8.49
Shell (Canada) 14⅛ 92	125	114⅛	−0⅛	10.99
Signal Comps 11⅛ 92	125	108⅛	−0⅛	9.68
Standard Oil 10⅛ 89	150	108	+0⅛	0.12
Statoil 12 89	100	107⅛	−0⅛	7.65
Sumitomo F. A. 10⅛ 90	100	108⅛	+0⅛	8.34
Sumitomo Fin 11⅛ 92	150	114½	+0½	8.47
Sumitomo Fin 12⅛ 91	150	110⅛	8	8.52
Sumitomo Tmst 12½ 92	100	113⅛	−0⅛	9.25
Sweden 11½ 89	200	110⅛	−0⅛	8.07
Sweden 12⅛ 89	200	111⅛	+0⅛	7.90
Swedish Export 10⅛ 88	100	104⅛	0	9.82
Swedish Export 11⅛ 89	100	108⅛	0	7.98
Swedish Export 12⅛ 89	100	109⅛	0	8.15
Taiyo Kobe 11⅛ 90	100	109⅛	−0⅛	8.86
Taiyo Kobe 12 90	100	112	−0⅛	8.67
Tenneco Corp 11⅛ 89	150	106	−0⅛	9.23
Texaco Capital 10⅛ 90	200	97	+1	11.35
Texaco Capital 11⅛ 95	250	99½	−1	11.21
Texaco Capital 13⅛ 89	200	104⅛	−0⅛	11.78
Texas Instru 11⅛ 91	150	107⅛	8	9.92
Tokai Asia 12⅛ 91	100	115	+0⅛	8.24
Tokyo Elec Pr 13⅛ 89	100	111⅛	−0⅛	9.02
Tokyo Metrop 12⅛ 94	50	117	−1⅛	8.76
Toray Inds 11⅛ 92	50	108½	8	9.20
Toronto-Dom 12⅛ 89	80	109⅛	−0⅛	9.65
UBS 12⅛ 91	100	109⅛	+0⅛	0.86
Utd Tech 11⅛ 92	150	110⅛	−0⅛	8.76
Veba 5 93	70	230	−20	0.00
West LB 11⅛ 90	100	112⅛	−0⅛	8.63
Westpac 12⅛ 92	100	115	−0⅛	8.10
Weyerhaeuser 11⅛ 90	60	105	−0⅛	10.02
World Bank 11 92	300	112⅛	−8⅛	8.23
World Bank 11⅛ 90	200	111⅛	−0⅛	8.02
World Bank 11⅛ 89	200	108⅛	−0⅛	7.77
World Bank 12 93	200	119½	−0⅛	0.37
World Bank 12⅛ 94	150	122⅛	−8⅛	8.36
World Bank 12⅛ 94	200	124⅛	−0⅛	8.54
Yasuda Trust 12⅛ 89	100	109⅛	−0⅛	8.45

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 99	100	100⅛	0	8⅛
Allied Irish ⅛†	100	98	0	7⅛
Arab Bank Corp ⅛ 96	100	98⅛	−0⅛	7⅛
Banca di Roma ⅛ 89	150	100⅛	0	8⅛
Banco di Rm ⅛ 92 CU	75	100	−0⅛	10⅛
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅛
Bank of Greece ⅛ 94	150	97⅛	0	6⅛
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅛
Bqe Nat Paris ⅛ 89	400	101⅛	0	8⅛
Bqe Nat Paris ⅛ 95	400	102⅛	+0⅛	8⅛
Bqe Nat Paris ⅛ 96	250	100⅛	−0⅛	8⅛
Barclays O/S ⅛†	600	100⅛	0	7⅛
BBL ⅛ 99	100	100⅛	0	6⅛
BCI ⅛ 96	300	100½	+0⅛	8⅛
BFCE ⅛ 97	400	99⅛	+0⅛	7⅛
BFCE ⅛ 99	600	100⅛	0	7⅛
Belgium ⅛ 04	400	100⅛	0	7⅛
CCCE ⅛ 05	200	100⅛	0	7⅛
CEPME ⅛ 95 £	100	100⅛	0	11⅛
Chase Manhattan ⅛ 09	400	100⅛	+0⅛	5
Chemical NT ⅛ 98	300	99⅛	0	7⅛
Citicorp O/S ⅛ 91 £	100	99⅛	0	10⅛
Citicorp O/S ⅛ 96	250	98⅛	0	6⅛
Citicorp Pan Pan ⅛ 97	250	98⅛	0	7⅛
Commerzbank ⅛ 89	150	100⅛	0	7⅛
Creditanstalt ⅛ 96	150	100⅛	0	5
Credit Foncier 97	350	100	−0⅛	7
Credit Foncier ⅛ 00 €	100	100⅛	+0⅛	10⅛
Credit Lyonnais ⅛ 95	300	100⅛	0	8⅛
Credit Lyonnais ⅛ 89	250	100⅛	−0⅛	8⅛
Credit Lyonnais ⅛ 00	300	100⅛	0	8⅛
Credit National ⅛ 95 £	100	99⅛	0	11⅛
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8⅛
Den Danske Bk ⅛ 90	30	100	8	8⅛
Denmark ⅛ 95	250	100	+0½	10
Denmark ⅛ 04	500	100⅛	0	8⅛
Eldemdo Nuke 89	100	100⅛	+0⅛	8
Elec de France ⅛ 89	400	101⅛	+0⅛	8⅛
ENEL ⅛ 93 €	100	100½	0	11⅛
Exterior Int ⅛ 96	125	100⅛	0	8⅛
Ferro del Stat ⅛ 89	100	100⅛	0	8⅛
Ferro del Stat 97	420	100	+0⅛	7⅛
Finnpap ⅛ 95	100	100⅛	0	8⅛
First Chicago ⅛ 94	100	99⅛	+0⅛	7⅛
First Chicago ⅛ 97	200	99⅛	+0⅛	7⅛
Ford Motor Cr ⅛ 91	200	99⅛	0	7⅛
GW O/S ⅛ 94	100	99⅛	0	7⅛
Grindlays ⅛ 94	100	100⅛	−0⅛	8⅛
Interfirst Tex ⅛ 99	100	97	−2½	7
Ireland ⅛ 89	50	100	0	8⅛
Ireland ⅛ 93 £	50	100⅛	0	10⅛
Ireland ⅛ 94 £	003	100⅛	8	8⅛
Ireland ⅛ 96 £	100	100⅛	0	12⅛
Ireland ⅛ 97	300	100⅛	0	8⅛
Ireland ⅛ 99	300	100⅛	−0⅛	7⅛
Italy ⅛ 94	1bn	100	0	6⅛
Italy ⅛ 05	500	100⅛	+0⅛	7⅛
Kleinwort Benson ⅛ 96	100	100⅛	−0⅛	7⅛
Korea Dev Bk ⅛ 00	100	98⅛	0	8½
Lincoln S & L ⅛ 99	100	100	−0⅛	8⅛
Malaysia ⅛ 93	500	99⅛	0	8⅛
Malaysia ⅛ 94	600	98½	+0⅛	8⅛
Man Hanover ⅛ 97	200	98⅛	+0⅛	5
Marine Midland ⅛ 94	125	100⅛	0	7⅛
Marine Midland ⅛ 96	125	99⅛	−0⅛	7⅛
Marine Midland ⅛ 09	150	100	−0⅛	7⅛
Mellon Bank ⅛ 96	250	100⅛	0	8⅛
Midland Ind ⅛ 99	200	100⅛	0	7⅛
Mitsui Fin ⅛ 98	100	100½	0	7⅛
Morgan Grenfell ⅛ 94	90	99⅛	0	8⅛
Mtg Intermed ⅛ 10 £	50	100	−0⅛	10⅛
Nat Bank Canada ⅛ 91	50	100	−0⅛	8⅛
NatWest ⅛ 05	400	100⅛	0	6⅛
NatWest Fin ⅛†	300	100⅛	−0⅛	7⅛
Neste Oy ⅛ 94	100	100⅛	−0⅛	8⅛
New Zealand 2001	350	100⅛	0	8
NZ Steel Corp ⅛ 92	225	100½	0	8⅛
Offshore Min ⅛ 91	150	100⅛	0	8⅛
Oster Land Bank ⅛ 99	100	100	8	6⅛
Portugal ⅛ 92	100	100	0	7⅛
Queensland Coal ⅛ 96	365			8⅛
Renla ⅛ 91	100	100⅛	−0⅛	7⅛
Sanwa Intl Fin 92	150	100⅛	0	8⅛
SEAT ⅛ 93	100	100⅛	0	8⅛
Security Pac ⅛ 97	250	99½	+0⅛	7⅛
Shawmut Corp ⅛ 97	50	99⅛	0	7⅛
SNCF ⅛ 93 £	75	100⅛	+0⅛	10⅛
Soc Generale ⅛ 97	400	100⅛	0	7⅛
Soc Generale ⅛ 94	250	100⅛	0	7⅛
Spain ⅛ 99	500	100⅛	0	8⅛
Spain ⅛ 97	250	100⅛	0	8⅛
Standard Chart ⅛ 94	200	100⅛	0	8⅛
Sumitomo Trust ⅛ 94	100	100½	+0⅛	8⅛
Sweden ⅛ 99	500	100⅛	0	8⅛
Sweden 90	700	100⅛	0	7⅛
Swedish Ex Cred ⅛ 92	125	104⅛	−2⅛	10
Thailand ⅛ 05	80	98½	0	7⅛
Tokai Asia ⅛ 99	150	100⅛	0	8⅛
Tovo Tmst Asia ⅛ 99	100	100⅛	0	8⅛
UBAF ⅛ 90	65	99⅛	0	8⅛
Union Bk Finland ⅛ 34	100	99⅛	0	7⅛
Union Bank-Norw ⅛ 99	50	99	0	8⅛
United Kingdom 92	2.5bn	100⅛	0	7⅛
Wells Fargo ⅛ 94	150	99⅛	−0½	7⅛
Wells Fargo ⅛ 96	50	9⅛	0	7⅛
Yorkshire Int ⅛ 94 £	75	100	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	211⅛	+1⅛	0.23
Best Denki 6⅛ 97	15	267	−6⅛	−2.07
Canon 7 97	50	263⅛	−5	−3.98
Daiwa Secs 5½ 99	90	468	+8	−1.27
Elders 11⅛ 94	100	131⅛	−0⅛	−7.30
Elektrowatt 6 98	51	139⅛	[illegible]	[illegible]
Fuji Bank 2⅛ 00	100	125⅛	−2⅛	[illegible]
Fujitsu 3 98	180	122⅛	−0⅛	[illegible]
Intec Inc 3 89	80	178⅛	−3⅛	−4.57
Kyowa Hakko 6⅛ 97	40	356⅛	[illegible]	10.34
LASMO 9⅛ 98	44	88⅛	0	[illegible]
Moet-Hennessy 7 99	80	182⅛	−14⅛	[illegible]
Murata Mfg 3⅛ 00	100	198⅛	+1⅛	28.82
Nippon Oil 3⅛ 99	60	162⅛	−5⅛	−2.78
Ono Pharm 3⅛ 98	60	178	−0⅛	−0.88
Soc Gen Surv 4⅛ 94	60	185⅛	−4⅛	−3.76
Sumitomo Corp 2⅛ 89	70	190⅛	+4	2.71
Texaco Capital 11⅛ 94	1bn	105	+0⅛	83.42
Texaco Capital 11⅛ 94	500	105⅛	+0⅛	[illegible]
Tamura Jntendo 5⅛ 98	30	151⅛	−6⅛	−2.81
Yamaichi Sec 3⅛ 95	20	283	+0⅛	[illegible]

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	107⅛	−0⅛	6.16
Avon Products 6⅛ 91	25	99⅛	−0⅛	[illegible]
Denmark 7⅛ 92	20	102⅛	−0⅛	[illegible]
Dow Chemical 7 94	60	100⅛	−0⅛	[illegible]
EDF 6⅛ 95	20	105⅛	−0⅛	[illegible]
Eurofima 7⅛ 94	10	103⅛	−0⅛	6.72
Eurofima 6⅛ 92	10	101	−0⅛	[illegible]
FNMA ⅛pc 92	50	102⅛	−1	[illegible]
GMAC 6⅛ 90	25	101⅛	−0⅛	[illegible]
Total 6⅛ 92	12.5	99⅛	−0⅛	7.00
Int-Amer Dev 7⅛ 93	15	103⅛	−0⅛	[illegible]
ITT 6⅛ 92	20	100⅛	−0⅛	6.81
McDonald Corp 6⅛ 92	25	101⅛	−0⅛	[illegible]
New Zealand 7⅛ 90	15	105⅛	−0⅛	[illegible]
New Zealand 7⅛ 88	15	105⅛	−0⅛	[illegible]
Pacific Gas & Elec 7 94	20	103⅛	0	6.45
Penney J. C. 6⅛ 92	26	100⅛	−1⅛	[illegible]
Procter 6⅛ 92	25	102⅛	−0⅛	[illegible]
Sallie Mae 6⅛ 92	25	102⅛	−0⅛	[illegible]
TRW 7 94	15	99⅛	−0⅛	[illegible]
Utd Technology 6⅛ 92	25	100⅛	−0⅛	[illegible]
World Bank 7 94	20	107⅛	−1⅛	[illegible]
World Bank 7⅛ 93	20	110	−0⅛	[illegible]
World Bank 8 93	20	117⅛	−0⅛	5.82

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 89	600	101⅛	0	9.20
Eurofima 10 94	500	109⅛	+0⅛	[illegible]
E Coal & Steel 10⅛ 94	1bn	105⅛	0	[illegible]
EuroInvest Bk 10⅛ 94	1bn	107	0	9.19
World Bank 10⅛ 89	1bn	108⅛	0	7.77

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	104⅛	−0⅛	[illegible]
ABN 7⅛ 89	150	104⅛	−0⅛	6.12
Amro Bank 7⅛ 89	150	103⅛	0	6.22
Amro Bank 8 89	200	105	+0⅛	6.00
Bk Mees & Hope 8⅛ 89	100	105⅛	−0⅛	6.17
Beatrice Foods 8⅛ 89	100	104⅛	0	[illegible]
C C Rabo 8 89	150	104⅛	−0⅛	6.10
Denmark 8⅛ 91	200	108⅛	+0⅛	6.53
Int Stand Elec 8⅛ 89	100	105	−0⅛	6.42
New Zealand 8⅛ 89	100	105⅛	−0⅛	6.21

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	50	105⅛	+0⅛	[illegible]
Aust Resources 11⅛ 92	50	105⅛	+0⅛	10.20
Bank of Tokyo 10⅛ 92	75	103⅛	+0⅛	[illegible]
Bqe l'Indosuez 14 91	75	112⅛	0	10.77
Br Col Munic 12⅛ 91	100	109⅛	+0⅛	9.93
Br Col Munic 13⅛ 91	100	113⅛	+0⅛	10.06
Br Col Tele 12⅛ 89	70	105	+0⅛	[illegible]
Farm Cred Corp 12⅛ 90	75	108⅛	0	[illegible]
Kredietbank 12 92	75	108⅛	+0⅛	9.96
Long Term Cred 11⅛ 90	75	106⅛	+0⅛	9.71
Montreal City 12⅛ 91	50	109½	−0⅛	9.73
New Brunswick 12 95	75	111⅛	+0⅛	9.96
Nova Scotia 11⅛ 95	100	109½	+0⅛	9.93
Quebec Hydro 14 91	75	108⅛	+0½	11.74

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9⅛ 92	100	108⅛	−0⅛	7.55
Australia & NZ 10⅛ 91	50	105⅛	−0⅛	8.34
Austria 10⅛ 93	100	116⅛	0	7.40
BFCE 9⅛ 92	100	112	8	7.10
Cred National 10⅛ 94	50	118⅛	−1½	7.36
Cred National 11⅛ 91	50	107⅛	+0⅛	9.42
Denmark 10⅛ 91	75	107⅛	+1⅛	8.90
Ebco Intnl 10⅛ 89	65	104	+0⅛	9.11
EEC 11 93	50	104	−1⅛	10.19
EEC 11⅛ 91	50	108⅛	0	9.16
EEC 11⅛ 93	70	103½	−1⅛	10.62
Euro Coal & Steel 8 94	60	123	−0⅛	[illegible]
Euro Invest Bk 9⅛ 89	200	108⅛	+1⅛	7.80
Euro Invest Bk 10⅛ 94	130	114⅛	−0⅛	7.52
Euro Invest Bk 10⅛ 89	60	107⅛	+0⅛	7.28
Euro Invest Bk 10⅛ 94	100	115⅛	−0⅛	7.94
Euro Invest Bk 11⅛ 92	75	112⅛	−0⅛	8.34
Euro Invest Bk 11⅛ 93	60	108⅛	±0⅛	9.29
Euro Invest Bk 11⅛ 96	50	115⅛	−0⅛	8.76
Gen Finance 11 90	70	106⅛	0	9.10
Giro Vienna 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Ireland 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Italian Govt 10⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Italian Treas 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Italy 9⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Kredietbank L 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mogal Finance 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cred Bk 11 91	[illegible]	[illegible]	[illegible]	[illegible]
Post Och Kred 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk Can 10⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
SNCI 10⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Export 11 88	[illegible]	[illegible]	[illegible]	[illegible]
West LB 10⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
PIBA 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
State Bk NSW 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Woolworths 14⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 10⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
European 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Euro Invest Bk	[illegible]	[illegible]	[illegible]	[illegible]
Finland 11⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met Fin	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec	[illegible]	[illegible]	[illegible]	[illegible]
Inv in Indus	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]
SNCF	[illegible]	[illegible]	[illegible]	[illegible]
World Bank	[illegible]	[illegible]	[illegible]	[illegible]
World Bank	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 11 94	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Casio Computer	[illegible]	[illegible]	[illegible]	[illegible]
Ciba-Geigy Int	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk Fin	[illegible]	[illegible]	[illegible]	[illegible]
Fujikura	[illegible]	[illegible]	[illegible]	[illegible]
IC Inds	[illegible]	[illegible]	[illegible]	[illegible]
Komori Print Mach	[illegible]	[illegible]	[illegible]	[illegible]
Minebea	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Eng & Ship	[illegible]	[illegible]	[illegible]	[illegible]
Nissho Iwai	[illegible]	[illegible]	[illegible]	[illegible]
Renown Inc	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bank Cpn	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Electric	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk Switz A	[illegible]	[illegible]	[illegible]	[illegible]

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex yld
Aegon Ins	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola	[illegible]	[illegible]	[illegible]	[illegible]
Dai-Ichi Kangyo	[illegible]	[illegible]	[illegible]	[illegible]
Du Pont	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Jpn	[illegible]	[illegible]	[illegible]	[illegible]
ITT Finance Corp	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds	[illegible]	[illegible]	[illegible]	[illegible]
Oester Lbk	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Cap	[illegible]	[illegible]	[illegible]	[illegible]
Tmto Dom	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on May 23

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $400,000,000

The Kingdom of Belgium

Tranche A: U.S. $150,000,000 Floating Rate Notes Due 1996

Tranche B: U.S. $250,000,000 Floating Rate Notes Due 2011

MORGAN STANLEY INTERNATIONAL

CREDIT SUISSE FIRST BOSTON Limited
DEUTSCHE BANK CAPITAL MARKETS Limited
KIDDER, PEABODY INTERNATIONAL Limited
KREDIETBANK INTERNATIONAL GROUP

ALGEMENE BANK NEDERLAND N.V.
BANKAMERICA CAPITAL MARKETS GROUP
BANK OF YOKOHAMA (EUROPE) S.A.
BANKERS TRUST INTERNATIONAL Limited
BANQUE BRUXELLES LAMBERT S.A./BANQUE BRUSSEL LAMBERT N.V.
BANQUE NATIONALE DE PARIS
BANQUE PARIBAS BELGIQUE S.A./PARIBAS BANK BELGIË N.V.
CHASE INVESTMENT BANK
CHEMICAL BANK INTERNATIONAL GROUP
CREDIT COMMERCIAL DE FRANCE
DAI-ICHI KANGYO INTERNATIONAL Limited
DAIWA EUROPE LIMITED
DRESDNER BANK Aktiengesellschaft
FIRST INTERSTATE CAPITAL MARKETS Limited
GENERALE BANK
IBJ INTERNATIONAL Limited
MERRILL LYNCH CAPITAL MARKETS
SAMUEL MONTAGU & CO. Limited
MORGAN GUARANTY LTD
NIPPON CREDIT INTERNATIONAL (HK) LTD.
NOMURA INTERNATIONAL Limited
ORION ROYAL BANK Limited
SAITAMA BANK (EUROPE) S.A.
SALOMON BROTHERS INTERNATIONAL Limited
SHEARSON LEHMAN BROTHERS INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL Limited
THE TAIYO KOBE BANK (LUXEMBOURG) S.A.
TAKUGIN INTERNATIONAL BANK (EUROPE) S.A.
TOYO TRUST INTERNATIONAL Limited
S.G. WARBURG & CO. LTD.

May, 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $150,000,000

BP Capital B.V.

(Incorporated with limited liability in The Netherlands)

9⅝% Notes Due 1993

Unconditionally and irrevocably guaranteed by

The British Petroleum Company p.l.c.

MORGAN STANLEY INTERNATIONAL
CREDIT SUISSE FIRST BOSTON Limited
MORGAN GUARANTY LTD
S.G. WARBURG & CO. LTD.

BANKERS TRUST INTERNATIONAL Limited
BANQUE NATIONALE DE PARIS
COUNTY BANK Limited
DEUTSCHE BANK CAPITAL MARKETS Limited
GOLDMAN SACHS INTERNATIONAL CORP.
MORGAN GRENFELL & CO. Limited
NOMURA INTERNATIONAL Limited
ORION ROYAL BANK Limited
SALOMON BROTHERS INTERNATIONAL Limited
SHEARSON LEHMAN BROTHERS INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL Limited

May, 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

olivetti

NZ$50,000,000

Olivetti Holding B.V.

(Incorporated with limited liability in The Netherlands)

18% Guaranteed Notes Due 1991

Payment of principal and interest unconditionally and irrevocably guaranteed by

Ing. C. Olivetti & C., S.p.A.

(Incorporated with limited liability in the Republic of Italy)

MORGAN STANLEY INTERNATIONAL
BANK BRUSSEL LAMBERT N.V.
BANQUE PARIBAS CAPITAL MARKETS Limited
DEUTSCHE BANK CAPITAL MARKETS Limited
GENOSSENSCHAFTLICHE ZENTRALBANK AG Vienna
HAMBROS BANK Limited

BANK LEU INTERNATIONAL LTD
BANQUE GENERALE DU LUXEMBOURG S.A.
BANQUE INDOSUEZ
BANQUE INTERNATIONALE A LUXEMBOURG S.A.
BANQUE NATIONALE DE PARIS
BAYERISCHE VEREINSBANK Aktiengesellschaft
BERLINER BANK Aktiengesellschaft
CHEMICAL BANK INTERNATIONAL GROUP
DG BANK Deutsche Genossenschaftsbank
DIE ERSTE OESTERREICHISCHE SPAR-CASSE - BANK First Austrian Bank
EBC AMRO BANK Limited
EUROMOBILIARE
GENERALE BANK
MITSUBISHI FINANCE INTERNATIONAL Limited
NEDERLANDSE CREDIETBANK N.V.
NOMURA INTERNATIONAL Limited
RABOBANK NEDERLAND

May, 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

SEK

ECU 60,000,000

Aktiebolaget Svensk Exportkredit

(Swedish Export Credit Corporation)

8⅝% Serial Notes Due January 20, 1993

MORGAN STANLEY INTERNATIONAL
SVENSKA HANDELSBANKEN GROUP

BANCA COMMERCIALE ITALIANA
BANK FUER GEMEINWIRTSCHAFT Aktiengesellschaft
BANK LEU INTERNATIONAL LTD, NASSAU
BANKERS TRUST INTERNATIONAL Limited
BANQUE INDOSUEZ
BANQUE NATIONALE DE PARIS
BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK Aktiengesellschaft
CIBC Limited
COMPAGNIE MONEGASQUE DE BANQUE
CREDIT LYONNAIS
DAIWA EUROPE LIMITED
FIRST CHICAGO Limited
GENOSSENSCHAFTLICHE ZENTRALBANK AG Vienna
GIROZENTRALE UND BANK DER OESTERREICHISCHEN SPARKASSEN Aktiengesellschaft
ISTITUTO BANCARIO SAN PAOLO DI TORINO, LONDON
LLOYDS MERCHANT BANK Limited
NIPPON EUROPEAN BANK SA, LTCB GROUP.
POST-OCH KREDITBANKEN, PKBANKEN
PRIVATBANKEN A/S
SWISS BANK CORPORATION INTERNATIONAL Limited
TAKUGIN INTERNATIONAL BANK (EUROPE) S.A.
WESTPAC BANKING CORPORATION

May, 1986

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

A. W. Galadari payout to creditors

BY ANGELA DIXON IN DUBAI

CREDITORS of Mr Abdul Wahab Galadari, the Dubai-based entrepreneur, were yesterday awarded a substantial distribution of assets by the committee of receivers appointed by the Dubai Government in April, 1984.

A total of *dirham* 1.18bn ($300m) has been paid out. This is the first distribution to be made and Mr A. H. Rostamani, the chairman of the committee, expressed the hope that a second and final payment would follow. The total amount of claims against Mr Galadari's interests is DM 1.5bn.

Mr Galadari is the youngest of three brothers whose various trading interests have suffered from the Gulf recession. Last week, however, he was indicted on a drugs charge in New York. He was released on bail of $5m, with his wife's *Fifth Avenue* apartment as part security.

Creditors of three companies are receiving a proportionate distribution based on the assets available. These are A.W. Galadari Holdings, on which 70 per cent is being paid out; Gulf News (10 per cent); and Galadari Znider (20 per cent). In addition, a final dividend of 100 per cent is being made to creditors of Galadari Property Development company.

The *major* beneficiary of the payout is Union Bank of the Middle East (UBME), which *will receive between 85 and 90* per cent of the total amount made available.

Mr Galadari formerly controlled UBME, which was taken over by the Dubai Government in 1984 after it ran into difficulties. He had borrowed substantially from UBME largely in order to finance property projects in Singapore, but prices there plunged, and he found himself over-extended.

To protect the interests of depositors, a rescue operation was mounted, involving the United Arab Emirates Central Bank and the Dubai Government, which together supported UBME to the extent of Dht.3bn.

The UAE has no bankruptcy law, but a special decree was passed in April 1984, which made Mr Galadari in effect a bankrupt, and appointed the *committee of receivers.*

For the last two years the committee has had the task of verifying claims and tracing assets of Mr Galadari's complex business empire, with interests which *stretched* from Singapore to New York.

Mr Al Rostamani said a major difficulty was the lack of documentation. A further problem in collecting overseas assets had been the reluctance of some foreign courts to recognise the Amiri decree.

The committee is also involved in defending civil actions brought against Mr Galadari in foreign courts. In New York, Drexel Burnham Lambert sued him and his commodity firm for $12.5m plus interest. The committee succeeded in having the case dismissed on grounds of international comity, but last year the appeals court referred the case back to the district court for further review.

Another case pending against Mr Galadari is in London, this time for alleged gambling debts of £809,000 brought by Zealcastle, the casino group.

Hughes Aircraft to axe over 4,000 jobs

Hughes *Aircraft*, the large US defence and space equipment manufacturer acquired by General Motors for $5.1bn last year, is planning a 5 per cent cut in its workforce over the rest of this year, writes Terry Dodsworth in New York.

The cuts will amount to well over 4,000 jobs out of a total workforce of 82,000. Although the company has a normal natural wastage of around 9,000 people a year, the redundancy programme will affect all levels.

Hughes is believed to have been faced with a tougher profits environment because of the tighter control the *Defence Department* is exercising over contractors. The company is also likely to be *affected* by the *hiatus* in satellite launches in the wake of the space shuttle disaster *last January.*

Burroughs and Sperry in talks

BY TERRY DODSWORTH IN NEW YORK

THE US Justice Department has given speedy anti-trust approval to *Burroughs' attempt* to acquire Sperry, the rival computer manufacturer, amid indications that the two sides have re-established contact after a stormy disagreement on takeover negotiations last week.

Neither company was available for comment yesterday during the Memorial Day weekend, but Wall Street sources claimed talks had resumed to try and work out an amicable price settlement.

Approval of the takeover proposals by the anti-trust authorities was particularly important to Burroughs because it signed a consent decree in 1913, when it was the leading manufacturer of mechanical adding machines, barring it from acquiring a competitor without government approval. This agreement was also put aside at the weekend by the Detroit district court.

Since the takeover for Sperry was launched, it has steadily intensified into a complex tactical battle, which was further complicated last week when Sperry allowed a sweetened offer of $75 a share from Burroughs to lapse without response.

Wall Street traders believe this places the Sperry board under considerable pressure, since it could face legal action by shareholders for not responding to the bid. The company is already being seen as placing a "virtually insurmountable obstacle" in the way of the Burroughs offer, through its own self-tender proposal. This contained an $70 a share offer that would load the company up with debt and would only be exercised if Burroughs gained a majority of the stock for $70 a share.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
The Rouse Co. §‡	100	1996	10	5⅞	100	Chemical Bank	[illegible]
Alex Brown & Sons §	25	2001	15	(5¾)	100	Kleinwort Benson	[illegible]
D'Urban Inc. ¶	40	1991	5	2⅞	100	Nikko Secs. (Europe)	2.875
Sony Corp. ‡	100	1993	7	8¼	99¾	Nomura Int.	[illegible]
State Bk of Victoria ‡	125	1993	7	8½	100¼	Morgan Stanley	[illegible]
AIDC ‡	100	1996	10	8⅝	101⅛	Morgan Stanley	[illegible]
Royal Bk of Canada (a) †‡	300	2085	99	¼	100	Orion Royal Bank	
Banco di Roma (b) †‡	200	2001	15	3bp	100.05	Morgan Guaranty	
GMAC ‡	200	1993	7	8½	101	Merrill Lynch	[illegible]
Queensland Gov. Dev. Auth. ‡	100	1991	5	8	100	CSFB	[illegible]
Belgium ‡	300	1993	7	8¼	101⅛	Bankers Trust Int.	[illegible]
Alps Electric ¶	150	1993	7	(3⅛)	100	Nomura Int.	
Alps Electric ¶	50	1993	7	(3⅛)	100	Daiwa Singapore	
Japan Air Lines ¶	100	1996	10	8	101	LTCB Int.	7.892
Yasuda Trust ¶	100	1993	7	8½	100¾	Morgan Stanley	[illegible]
Royal Bk of Canada ¶	150	1993	7	8⅜	100½	Orion Royal Bank	[illegible]
Hanwa Co. ¶	80	1993	7	(3⅛)	100	Daiwa Europe	
ECSC ¶	100	1991	5	7¾	100¾	UBS (Secs)	7.657
Siemens Western Fin. ¶‡	833.33	2001	15	0	58.5	Deutsche Bk Cap. Mkts	[illegible]
CANADIAN DOLLARS							
Xerox Canada Fin. ‡	50	1991	5	9¼	100⅛	UBS (Secs)	9.218
AUSTRALIAN DOLLARS							
Tasmanian Public Fin. ‡	43	1993	7	13¼	101	Orion Royal Bank	13.024
D-MARKS							
Korean Dev. Bank ‡	100	1993	7	6⅝	99¾	Deutsche Bank	6.671
Kobori Juken ¶	40	1991	5	(1¼)	100	Commerzbank	
Collateralised Secs. ‡	400	2016	30	6⅛	100	WestLB	6.125
Lufthansa Int. Fin. ‡	250	1996	10	6	100	Deutsche Bank	6.000
Lufthansa Int. Fin. ‡	250	2006	20	6⅛	100	Deutsche Bank	6.250
SWISS FRANCS							
Olivetti Int. (Lux) ‡	160	2046	–	5⅝	99	Soditic	5.684
Commercial Union ¶‡	200	2000	–	4½	100	Handelsbank	4.500
Tasaki Shinju** ¶‡	50	1991	–	1	100	Banca del Gottardo	1.000
Sambo Copper Alloy** ‡	10	1991	–	4⅞	100	Wirtschafts- und Privatbk	4.875
Oest. Postsparkasse ‡	150	2002	–	5	100½	UBS	4.877
Int. Finance Corp.** ‡	100	1993	–	4¾	100	Credit Suisse	4.750
Small Bus. Fin. (Japan)** ‡	100	1991	–	4½	99¾	UBS	4.506
FRENCH FRANCS							
Euratom ‡	500	1998	12	7⅝	100	CCF	7.625
LUXEMBOURG FRANCS							
Den norske Creditbk** ‡	300	1991	5	7⅛	100	Bqe Paribas (Lux)	7.125
DANISH KRONER							
Postipankki ‡	250	1993	7	8⅞	100⅞	Sparekassen SDS	8.703
Nordic Inv. Bank ‡	400	1996	10	8¾	100¼	Privatbanken	8.712
YEN							
General Motors Corp. ‡	22bn	1991	5	5¾	101½	Mitsui Fin. Int.	5.400
Australia ‡	45bn	1991	5	5½	101½	Nomura Int.	5.152

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. Ø With bond warrants. (a) ¼ over 3m Libmean. (b) 3bp over 6m Libor. Note: Yields are calculated on AIBD basis.

Degussa sales hit by weak dollar in first six months

BY DAVID BROWN IN FRANKFURT

DEGUSSA, the West German precious metals and chemicals concern, suffered a 10 per cent fall in *turnover* in the first half to DM 5.2bn ($2.3bn) as a result of the weak dollar and falling gold and silver prices.

The group expects a good overall result this year in spite of the poor prices and sharpening competition, but did not reveal earnings at half-time.

Degussa is spending heavily on both acquisitions and expanding plant capacity. Most recently, it announced an agreement to take over Laboratoires Cusi, a Belgian speciality pharmaceuticals company with an annual turnover of DM 40m.

The group's small pharmaceuticals sector was one of the few to report slightly higher sales of DM 186m, helped by a strong domestic market, although the cost of acquisitions was said to have reduced earnings.

Degussa's metals operations, the biggest in terms of turnover, suffered the *sharpest* decline in sales, down 13.9 per cent to DM 3.19m.

Worldwide *turnover* in the chemicals unit fell by 3.3 per cent to DM 1.86bn.

Overall parent company sales slipped 7 per cent to DM 4.4bn.

Despite the relatively weak first-half showing, the management forecasts a favourable level of sales for the remaining part of the 1985-86 year. In 1984-85, the group managed a slight DM 2m increase in pre-tax profit to DM 112m.

Currency and securities business lift Kredietbank

BY PAUL CHEESERIGHT IN BRUSSELS

SHARP RISES in the earnings from foreign exchange and securities business helped Kredietbank, the third-largest of the Belgian commercial banks, to a 17 per cent increase in net profits for its financial year to March.

Net earnings for 1985-86 were BFr 2.68bn ($57.76m) compared with BFr 2.28bn. The increase prompted a rise in the dividend for the third year running. Ordinary shares attract a payment of BFr 435 net against BFr 414 for the previous financial year.

Like Banque Bruxelles Lambert, which announced figures recently, Kredietbank has clearly benefited in its securities business from the confident climate on the Brussels bourse.

In its foreign exchange sector, it has been strongly developing business in Ecus, which has helped offset the effects of declining dollar rates.

But the decline of the dollar led to a 25 per cent fall in foreign lending, while Domestic lending, grew by 9 per cent.

Total lending to the private sector at the end of the financial year was BFr 306bn, some 1.6 per cent less than a year before. Lending to the Belgian public sector, always thirsty for funds, stood at BFr 279bn, 4.3 per cent higher than at March 1985.

● Electrafina, of Belgium, is raising BFr 3.08bn by issuing 550,000 ordinary shares at BFr 5,600 on the basis of one for every four held, Reuter adds.

Final dividend omitted at Malaysia Mining

MALAYSIA MINING Corporation, the world's biggest tin mining group, has omitted its final dividend following depressed results, writes Wong Sulong in Kuala *Lumpur*.

For the year to January 1985, net profits fell 52 per cent to *17.1m ringgit* (6.53m), struck before write-offs which brought an attributable loss of 51.5m ringgit. Provisions amounted to 68.8m ringgit, compared with 221m ringgit, and were made to cover a fall in the value of its investments at its London-based trading subsidiaries. This followed the collapse of the tin price last October.

Allianz expects good operating results

ALLIANZ, West Germany's leading life insurer, expects good operating results this year after boosting new business in the first four months, Reuter reports from Stuttgart.

Mr Uwe Haasen, management board chairman, told the annual meeting the total policy value of new business booked between January and April was 7.6 per cent higher than in the same period last year. Business had picked up markedly in April after a slow first quarter.

JAPANESE RESULTS

ISHIKAWAJIMA-HARIMA HEAVY INDUSTRIES
MACHINERY, SHIPBUILDING

Year to	Mar 86 Y	Mar 85 Y
Revenues (bn)	900	902
Pre-tax profits (bn)	13.77	17.47
Net profits (bn)	4.75	8.70
Net per share	3.65	6.69
Dividend	4	4

PARENT COMPANY

TOKIO MARINE & FIRE INSURANCE
NON-LIFE INSURANCE

Year to	Mar 86 Y	Mar 85 Y
Net premiums (bn)	688	639
Pre-tax profits (bn)	75.19	66.78
Net profits (bn)	30.25	25.01
Net per share	22.24	18.38
Dividend	6.50	6

PARENT COMPANY

Dainippon Ink edges ahead to Y11bn

BY YOKO SHIBATA IN TOKYO

DAINIPPON INK and Chemicals, the Japanese company seeking to take over Sun Chemical of the US, edged up pre-tax profits 1 per cent to Y11.32bn ($66.73m) in the year to March.

Net profits rose 2 per cent to Y5.02bn, or Y8.36 per share, on turnover of Y415.35bn, up 3.4 per cent.

For the current year, pre-tax profits are projected at a record Y12bn, up 6.1 per cent, on sales of Y440bn, up 5.9 per cent. It expects to maintain the dividend at Y6.

Mr Tatsuo Ando, president, said the company would continue with its bid for Sun, the world's largest ink producer. The Federal Court in New York is expected to rule on Thursday on Sun's petition to block the bid.

● Konishiroku Photo Industry of Tokyo has increased its cash tender offer for the remaining 40 per cent of Fotomat, the US film processor, to $1.70 a share from $1⅜, *AP-DJ reports from St Petersburg, Florida.*

Based on discussions held since the announcement of the offer by Konishiroku a week ago, a special committee of the Fotomat board, consisting of directors not affiliated to Konishiroku, approved the offer as fair and recommended that stockholders accept.

Konishiroku is the maker of Konica cameras and film.

Fujitsu dives 68% before tax because of strong yen

BY CARLA RAPOPORT IN TOKYO

FUJITSU, the Japanese computer group, yesterday joined the list of the growing list of Japanese exporters hit by the effects of the rising yen. The company showed that pre-tax profits had plunged by 68 per cent in the year ended March.

In contrast, Sharp, a leading consumer electronics group, managed to post a slim pre-tax increase for the same year, thanks to prodnction rationalisation and increased profits from the management of surplus funds. Sharp's sales, on an unconsodidated basis, were up 5 per cent to Y955bn ($5.63bn) while pre-tax profits edged up 1.8 per cent to Y64.37bn.

Fujitsu, which blamed its woes nn slumping demand for semi-conductors in addition to the rising yen, reported profits down to Y37.3bn from Y70bn last year. Sales, on an unconsolidated basis, climbed 10.7 per cent to Y1,429bn. The lower semiconductor chip prices and the Yen's rise reduced Fijitsu's cost-to-sales ratio by 5.5 points, resulting in a 54.5 per cent decline at the operating profit level, the company said. Fujitsu's foreign exchange losses were Y10.8bn.

The company's profit drop is the largest of the leading Japanese electronics company so far. Fujitsu said the reason was its higher ratio of memory chips as a proportion of sales. That ratio is currently about 50 per cent.

Sharp reported that sales of information equipment and electronic components was flat in the year, but household electronic appliances went up by 5 per cent.

Fujitsu's sales of computers and office automation equipment advanced by 17.6 per cent in the year, on the back nf strong domestic sales. Telecommunications equipment turnover was up 25 per cent, because nf increased orders from Nippon Telegraph and Telephone.

The group is counting on e recovery in the semiconductor market and a dollar rate of Y170 to allow it to post a 32 per cent increase in profits in the current year to Y50bn on a 15 per cent increase in sales.

Fujitsu said it plans to retain its annual dividend of Y8. Its capital spending programme in the current year will drop by 20 per cent to Y110bn.

Fanuc 'must hold prices down'

BY OUR TOKYO STAFF

DR SEIUEMON INABA, president of Fanuc, the Japanese robot maker 42 per cent owned by Fujitsu said yesterday that Fanuc must make its products more cheaply to cope with the rising yen, rather than raise its export prices.

"I think profits should be determined in the development stage," Dr Inaba said in Tokyo yesterday. To bold down prices he has told Fannc's product development laboratory to keep three principles in mind: high reliability, low cost and fewer components, he said.

Despite the rapid appreciation of the yen against the dollar, it is understood that Fanuc is not increasing the dollar prices of its exported products.

"Japan is an export (-oriented) country. It's important to find ways to export without causing (trade) friction," he said. To this end, he said that 50-50 joint ventures with foreign companies are a desirable way for Japanese companies to expand abroad.

The future growth of Fanuc will be pegged to the development of the software side of factory automation Dr Inaba said. In years to come, be forecast, new machine tool products and production methods will be entirely developed by computer

Dr Inaba forecast that Fanne's sales would reach Y270bn by 1990, from around Y170bn a year currently.

AA Mutual Insurance ceases trading

By Jim Jones in Johannesburg

AA MUTUAL Insurance (AAMI), a short-term South African insurer, has become the first major victim of the country's protracted insurance rates war. The company ceased trading yesterday afternoon in the wake of a failed plan to merge with Federated Insurance and the sudden departure from South Africa of Mr Warren Plummer, the chief executive.

First indications that AAMI was in trouble came just last week when Federated tried to walk away from a planned merger with AAMI on the grounds thet AAMI's underwriting losses were too large. A merger had been arranged based on an estimated underwriting loss of R30m ($13.2m) and the merger terms, which included a R16m capital injection by Federated, were to have been adjusted tn take account of minor differences from this loss figure.

In the event the underwriting loss turned out to be R50m, which exceeded AAMI's R44.5m reserves and rendered the company technically insolvent.

Last week Kirsh Industreies, which jointly nwns AAMI with the Automobile Association of South Africa, went to court in an effort to compel Federated to continne with the merger, bnt Federated refused on the grounds that AAMI's true position had been misrepresented.

AAMI had an annual premium income of about R450m and was one of the country's principal short-term insurers. However, like many of its competitors, it had resorted to rate cutting simply to hold its share of a heavily overtraded market.

Attempts to agree on industry-wide rate increases have failed and last year further pressure was placed on insurers when foreign reinsurers cut their business with South Africa until rates rose to profitable levels.

● Santam Insurance, the short-term insurance arm of the Santam group, has meanwhile reported a substantial increase in its interim underwriting loss to R4.34m ($1.91m) in the six months to March from R1.64m in the same period last year. Gross premium income rose to R259.3m from R208.1m and higher investment income and a lower tax bill resulted in a small drop in the interim taxed profit to R4.75m from R4.88m.

Sunshine Mining loss soars to $19m

By Mary Frings in Dallas

SUNSHINE MINING, the Dallas-based silver, oil and gas producer, has suffered sharply higher first-quarter net loss of $19m compared with $2.9m.

Preferred dividends pushed the deficit to $22.5m, or 49 cents a share. The 1985 per-share loss was nine cents.

The company attributes its worsening performance partly to falls in the price of silver,

Sunshine said the average price it received for oil in the first quarter was $19.23 a barrel, compared with $24.80 a year ago, while natural gas prices declined to $2.17 per million cubic feet from $2.78.

Euroc and Norcem cement and coal sides to merge

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

EUROC, the Swedish building materials, engineering and trading group and Norcem, the Norwegian industrial concern, are to merge their international cement and coal activities.

The new company, which will have its headquarters in Oslo, will have an annual turnover of around SKr 1.5bn ($206.8m) and profits of some SKr 75m.

The merger is the result of a co-operation agreement made in 1984 between the two companies, aimed at strengthening their presence in international markets. Euroc is the largest shareholder in Norcem with a stake of some 20 per cent, while Norcem holds a 13 per cent stake in Euroc.

The new concern will become a significant force in the international cement trade. With annual production of around 1m tonnes of cement and trading activities in cement and clinker totalling around 2m tonnes a year. Annual coal trading volumes are expected to reach around 1.5m tonnes.

The company will include Euroc's Continental Cement operation in the US with a production plant at Hannibal, Missouri, and cement terminals in the Mid-west.

UK COMPANY NEWS

David Lascelles on the £1.2bn hostile bid for Standard Chartered

US regulatory problem for Lloyds

IN FIGHTING off Lloyds Bank's £1.2bn hostile bid, Standard Chartered Bank has made much of the fact that Lloyds may not be able to get approval from the US regulatory authorities in time to meet the deadline laid down by the City Code on Takeovers and Mergers.

This is because Standard Chartered own Union Bank, one of the largest banks in California. The transfer of ownership must be approved by the Federal Reserve Board—a process which can take between three and six months compared to the maximum 81 days allowed by the Code. Could this scupper the deal? And is there anything Lloyds can do about it? At the very least it is an intriguing issue for the UK's booming takeover industry at a time of increasingly international activity.

On the face of it, Lloyds has certainly created a problem for itself by leaving the US arrangements so late. With the help of Goldman Sachs, one of Wall Street's most aggressive investment banks, Standard has ascertained that no US bank purchase in the last year or so has gone through in less than 85 days from the day of application was formally lodged with the Fed. Most took more than 120 days.

This is partly because of the usual bureaucratic delays, but also because the application must be open to public comment for 30 days, and must then go to the Justice Department for another 30 days for anti-trust vetting.

Although Lloyds has been in touch with the Fed about the bid for some time, it only lodged its formal application last Friday. But because Lloyds sent out its formal offer document to Standard shareholders on May 13, the clock had already started ticking at the UK end, and ten of its precious 81 days were gone. So unless Lloyds can get US approval in a record 71 days, the bid could be in jeopardy.

The 81 days consist of the 60 days which the Code allows a bidder to obtain a majority of the target company's shares in order to make the bid unconditional as to acceptances. After that it has 21 days to make it unconditional in all respects. Finally, it has 21 days to pay for the shares it has bought.

> **Unless Lloyds can get US approval in a record 71 days the bid could be in jeopardy**

Aside from hoping the problem will resolve itself, Lloyds has three main courses of action. One is to press the Fed to speed up the approval process. This is unlikely to yield results, though, because there are statutory waiting periods which cannot be changed, even if the Fed was willing to favour an applicant in this way. The Fed is also heading into the summer holiday season.

Another is to ask the Takeover Panel for an extension. It is not unknown for the Panel to give bidders a few more days but there has never been a case of this magnitude involving major issues. Generally, the Panel regards the 60 days rule as "inflexible."

Standard Chartered has already made weighty submissions to the Panel, arguing against any extension. Mr Michael McWilliam, the chief executive, says that Lloyds has got itself into this fix through its own incompetence, and is not merely the victim of a slow-moving foreign regulatory system.

Mr Brian Pitman, Lloyds chief executive, believes that he can put a persuasive case to the Panel if need be. Supposing Lloyds had obtained the necessary majority of acceptances by day 60, he would argue to the Panel that to deny an extension would be to deny Standard shareholders their wish to accept Lloyd's offer. If Lloyds could back this argument with a letter from the Fed giving a date when approval might be expected, so much the better.

The third course is risky. Although Lloyds' offer document makes the bid conditional on receiving regulatory approvals, it could waive this requirement at the 60-day stage if it felt confident that the Fed would deliver a favourable verdict by the final deadline. At that point, though, Standard could argue that Lloyds effectively controlled Union Bank without official Fed approval, which is a criminal offence for which Lloyds could be fined and its directors jailed.

There is a fourth option: Lloyds could allow its bid to lapse and then revive it when it got the Fed go-ahead. To do this, it would have to seek a waiver of the Code rule which says that bidders cannot renew a takeover bid in less than a year. The only other way Lloyds could hope for more time would be—ironically—if a counter-bidder for Standard emerged. In that case, Lloyds' clock would go back to zero.

Standard want the Panel to produce a ruling now on this matter in order to remove the uncertainty and avoid a last-minute rushed decision. The Panel says it will deliberate on the facts when they are clear, not on hypothesis.

Although Standard has clearly embarrassed Lloyds by pointing up this problem, it may not work entirely in its favour. Some City commentators say that the vigour with which Standard is pushing it means that it has little else by way of substantial defences against Lloyds. Its recent performance record—though improving—is unspectacular and last Friday's defence document was rather vague about the prospects. Nevertheless, if—as seems likely—the future holds more large bank takeovers with cross-border ramifications, corporate financiers will have learnt a useful lesson from this one.

Milletts Leisure receives approach

Milletts Leisure Shops has disclosed that it just broke even before tax in 1985/86 after £1.72m of profits from fixed asset sales, and revealed that an approach to discuss the group's future had recently been made by a third party.

Mr Alan Millett, chairman of this leisure wear retailer, declined to comment any further on the approach but said that shareholders would be informed if any satisfactory proposals were made.

At Friday's close of 180p, unchanged, Milletts is valued at £9.4m. Mr Millett holds a 59.4 per cent beneficial interest.

Turnover in the 53 weeks to February 3, 1986 rose slightly from £29.06m to £30.58m but trading losses, including discontinued operations, escalated from £471,000 to £1.7m. After the asset sales, pre-tax profits came to £15,000 (loss £396,000).

Mr Millett said that an anticipated improvement in second half trading failed to materialise due to the mild weather prevailing during the important Christmas trading period. Results were also depressed because the 53 Wakefields Stores shops acquired in September 1984 "took longer to digest than anticipated."

A total of 38 shops were closed during 1985—35 of those being Wakefields—and the group now operates from 122 shops.

The dividend is being reduced from 3.95p to 2p through an unchanged final payment of 1p. Earnings per share were 0.8p (losses 6.3p).

On prospects, the chairman said that he was looking for organic growth in 1986/87 and added that the traditionally quiet first quarter trading had seen a substantial improvement. He said that the remaining 18 Wakefields shops were now profitable, and refurbishment was underway at some shops and some openings were planned.

Tin crisis hits Kelsey

Kelsey Industries, solder manufacturer, says it has been hit by the tin crisis and is considering legal action to recover a shortfall of about £500,000 on results for the six months to end-March 1986.

During March the company settled outstanding contracts on the London Metal Exchange's final fixed settlement figure of £6,250 per ton, but the price immediately fell to below £4,000 per ton.

Kelsey's taxable profits for the half year dropped from £836,000 to £505,000 on turnover down at £15.7m against £17.64m. Earnings per share fell from 12.5p to 5.8p and the interim dividend has been held at 2.5p.

The company says that the general level of orders for manufacturing and contracting operations is running at a satisfactory level. Kelsey Building Products has ceased trading and closure costs have been accounted for in the half year.

Despite the tin crisis Kelsey expects the full year result to be close to 1984-85's £1.73m pre-tax.

Waverley Cameron

A second half setback has pushed Waverley Cameron, maker and distributor of stationery and associated products, into a loss of £91,000 for the year 1985. Last time there was a profit of £840.

The dividend is cut from 3.75p to 1.25p net.

Turnover moved up from £3m to £3.57m. The available loss is shown at £376,000 (profit £15,000).

SHARE STAKES

Changes in company share stakes announced over the past week include:

Next—Director G. W. Davies disposed of a beneficial interest in 60,000 ordinary shares.

General Electric Company—Director Sir William Rees-Mogg has ceased to be interested in 7,890 ordinary shares beneficially held and 385 ordinary shares held non-beneficially.

Bluebird Confectionary Holdings—Mrs Nassar, wife of the chairman purchased 25,000 shares.

Turner and Newall—Sir Francis Tombs disposed of 70,000 ordinary at 215p and now holds 292,500 shares (0.215 per cent).

Burton Group—Director L. Rice sold 100,000 ordinary shares at 274p.

Tarmac—B. W. Baker, director, sold 45,000 Ordinary shares.

Ward White—J. A. H. Norman, director, disposed of 25,000 Ordinary shares.

McKechnie under fire

Mr Raschid Abdullah, chairman of Evered, has written to McKechnie shareholders attacking their company's defence and urging them to accept Evered's £140m bid.

He argues that Dr Jim Butler, McKechnie's chairman, fails to address key issues of earnings and dividend growth and share price performance relying on "generally bland phrases" to establish McKechnie's record of "solid success and growth."

All divisions have experienced erratic trading margins in recent years according to Evered while McKechnie's profits forecast implies an 8 per cent slip in second half earnings per share leaving attributable profits 16 per cent lower per share and cutting the dividend cover by a quarter.

Forecast earnings per share will still be lower than 1980's, with the result that the share price has "massively under-performed the alternatives and, in particular, Evered," says Mr Abdullah.

BT Tokyo listing

British Telecommunications will be listed on the Tokyo Stock Exchange from May 30.

The company will become the 26th foreign group on the exchange following the listing of Procter and Gamble Company, scheduled for May 28.

Talbex £0.14m in red

Talbex Group, the industrial holding company which acquired Yorkgreen Investments in the middle of last year yesterday reported a pre-tax loss of £143,000 for the first half of 1985-86.

In addition, the board says the results for the year will be disappointing and action is being taken to return the group to profitability in the next financial year. The result for the six months to end-January compares with a profit of £82,000 in the corresponding period.

Trading has been and continues to remain difficult, and interest charges, which surged from £69,000 to £226,000, continue to have a detrimental effect. Turnover was £6.63m (£6.93m).

In January when the group announced a £183,000 (£23,000) taxable profit for 1984-85, the directors anticipated that Yorkgreen would contribute to greater profitability during the 1985-86 year.

They also said that if profits after tax of both Talbex and Yorkgreen were maintained for the period to July 31 1986 dividends of at least 0.2287p would be paid. There is no interim dividend.

Below the line, the half year results took account of £61,000 (£16,000) of extraordinary items for redundancy and reorganisation costs and goodwill amortisation. Loss per 5p share was 0.47p (earnings 0.3p) after extraordinaries.

FT Share Information

The following securities have been added to the Share Information Services:

Guinness 5½pc Conv Cum Red Pf (Section: Beers, Wines and Spirits)

Hanson Trust 10pc Conv Ln 2007-12 (Industrials)

Hawley Group Conv Cum Red Pf (Industrials)

Macdonald Martin Distilleries (A Ord) (Beers, Wines and Spirits)

Rodime (Electricals)

WPP (Paper, Printing and Advertising)

Westmex (Industrials)

FINANCIAL TIMES STOCK INDICES

	May 03	May 22	May 21	May 20	May 19	May 15	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.36	03.15	82.24	01.73	81.60	91.64	94.51	80.39	127.4	49.18
Fixed Interest	07.26	97.10	97.03	96.80	96.88	96.74	97.51	85.56	150.4	50.53
Ordinary	1331.4	1315.3	1312.5	1305.0	1094.3	1289.5	1425.9	1094.3	1425.9	49.4
Gold Mines	537.e	828.3	926.0	028.6	241.2	246.1	357.0	926.0	734.7	43.8
FT-Act All-Share	793.73	786.71	783.64	780.41	775.83	772.94	832.39	664.42	839.39	61.98
FT-SE100	1617.4	1606.9	1591.8	1585.9	1673.1	1664.9	1717.8	1370.1	1717.e	986.9

LADBROKE INDEX
1,328-1,334 (+15)
Based on FT Index
Tel: 01-427 4411

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 44,933

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. ... on prospectus estimates. g Assumed dividend and yield. ... F Forecast dividend cover on earnings updated by latest interim statement. ... prospectus or other official estimates for 1987. ... latest annual earnings. ... Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividend; cover relates to previous dividend, p/e ratio based on latest annual earnings. ... Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ... Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ... Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ... Dealt in under 535 (4) (a) †† Official London listing.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Colloids	June 27	Final 1.6	*MEPC	May 28	Interim 2.6
*Amersham Intl	June 16	Final 3.8	*Metal Box	June 10	Final 11.15
Argyll Group	June 11	Final 4.15	Mercury Secs	June 25	Final 16.0
*Avana	June 23	Final 6.75	*Meyer Intl	June 17	Final 3.46
BPB Inds	June 28	Final 4.6	*Mitchell Somers	June 19	Final 1.75
BTP	June 18	Final 2.3	*Norcros	June 3	Final 6
Beecham	June 12	Final 5.2	*Northern Foods	July 1	Final 3
*Boots	May 29	Final 4.0	Pegler Hattersley	June 8	Final 3.25
British Land	June 20	Final 1.75	*Pilkington	June 11	Sec Int 7.5
*British Telecom	June 18	Final 3.9	*Powell Duffryn	June 2	Final 10.57
Cable and Wireless	June 26	Final 4.8	Racal Electronics	June 24	Final 2.288
*Cape Industs	June 17	Final nil	*Redland	May 29	Final 6.925
Centrovincial Estates	June 18	Final 3.0	*Reed Intnl	June 4	Final 12.75
*Coalite	May 28	Final 4.65	Saatchi and Saatchi	May 21	Interim 5.29
*Courtaulds	May 28	Final 3.8	*600 Group	June 12	Final 3.18
Dawson Intl	June 20	Final 5.8	Smith Brothers	May 29	Final 4.0
*De La Rue	June 3	Final 21.75%	Staffs Potts	May 29	Interim 1.0
*Dobson Park	May 30	Interim 1.8	Staveley Inds	June 13	Final 14.0
Electrocomponents	June 10	Final 3.65	*Tesco	May 28	Final 3.1
Electronic Rentals	July 7	Final 2.065	Trusthouse Forte	June 27	Interim 1.27
Ferranti	June 25	Final 1.04	*Unigate	June 16	Final 5.2
Finlay (J.)	June 13	Final 2.15	Union Discount	June 17	Interim 11.0
Fitch Lovell	June 20	Final 6.7	*United Scientific	May 19	Interim 2.2
Gt Portland Estates	June 12	Final 5.0	Valor	June 12	Final due
*Hanson Tst	June 3	Interim 1.6	Whitecroft	June 25	Final 5.4
*Harrisons and Crosfield	May 28	Final 15.5	*Wolverhampton & Dudley	May 29	Interim 2.85
Hazlewood Foods	June 10	Final 11.429			
Hill Samuel	May 31	Final 8.3			
IC Gas	June 27	Final 5.25			
Intl Signal	June 13	Final 1.5 cts			
London Intl	June 20	Final 2.8			
Lond. Scottish Finance	June 17	Interim 0.9			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

TODAY

Interims—Midsummer Inns, Pericom, Radio City (Sound of Merseyside), Scottish National Trust.

Finals—Bisichi Tin, Coloroll, Dunhill, Globe Investment Trust, A. Goldberg, Hay and Robertson, Hunter Saphir, London and Associated Investment Trust, Menks Investment Trust, NEC.

FUTURE DATES

Interims:—

McCorquedale	June 3
Owen and Robinson	May 29

Finals:—

Alphameric	June 17
De La Rue	June 3
Fairbairn	June 24
Hunting Group	May 30
Leo	May 29
Norcros	June 3
Regalian Properties	June 11
Renold	June 20
Richardsons Westgarth	May 28
Steed and Simpson	June 18
Storehouse	June 5
Welpac	June 30

FINANCIAL TIMES SURVEY

Tuesday May 27 1986

World Shipping and Shipbuilding

Improvements in freight rates have proved brief and prospects for the industry remain difficult. Tankers are finding more work and there is some hope of relief in the bulk carrier market, but over-capacity has cut prices for new vessels even further.

Tough times for optimists

By Andrew Fisher
Shipping correspondent

FEW INDUSTRIES can have suffered so many false dawns as shipping. Intermittently, throughout the last decade or so of recession, signs of a possible recovery have emerged.

But the improvements have been all too brief and any upturns in freight rates have soon been reversed into a sickening slide. Thus many of yesterday's optimists have become today's victims.

The past 12 months have seen some of the biggest financial collapses the industry has ever experienced, a situation which will be in the forefront of discussions at next month's Posidonia exhibition in Greece. The names of the companies which banks and creditors are now having to restructure and possibly nurse back to health roll off the tongue all too easily: Sanko, Tung, Wah Kwong, Nakamura.

The picture is not one of total gloom, however. In the long-suffering tanker sector, lower oil prices and a gradual end to the chronic tonnage surplus as a result of scrapping are beginning to bring about a revival.

Rates from the Gulf to the big energy-consuming markets of Japan, Europe, and North America are edging up after a long period in the doldrums, and supertankers are finding more work. For smaller tankers in other oil-producing areas, prospects are even brighter.

But it has been a long haul, with many casualties along the way. The big oil companies have lost small fortunes running tanker fleets to service their production and distribution arms. Now, they operate much smaller fleets and are content to give a large proportion of the business to independent shipowners.

Perhaps the sorriest sector in world shipping is the bulk carrier market for such cargoes as iron ore, coal, and grain. Rates have fallen so many times that owners have virtually given up expecting them to bottom out.

Yet even here, a vague feeling is growing in the market that the worst may have been reached. It is not the first time such sentiments have surfaced and there are no flags being waved enthusiastically. The hope is, though, that as the gap between the supply of vessels and demand is narrowed—scrapping has continued and the delivery of new ships is tailing off—the sector could feel some relief.

In all of this, of course, there is a certain amount of clutching at straws. Taking a longer-term view, a number of experts believe that the lower price of oil, along with reductions in interest rates, will stimulate economies sufficiently to boost demand for cargo ships.

One of the most respected of international shipbroking firms, R. S. Platou of Norway, tentatively expressed the hope in its annual review that times may be changing for the better.

"There are clear signs that we are now approaching the end of a long and painful period of restructuring in the shipping industry," it said, though noting that over-capacity in tankers and dry bulk tonnage was still considerable.

With the fluctuating state of world economies, Platou reckoned that shipping could be subject to some quite rapid changes, though it did not say these would all be for the better. "None the less, we believe in more stable growth of the world economy in the next few years than has been the case in the past 15."

Its conclusion was carefully worded, but contained an unmistakeable dose of optimism. "Combined with a continuing reduction in tonnage and, not least, hope of a scaling-down of the world's shipbuilding capacity, in time this should create a better balance between supply and demand in shipping markets."

For world shipbuilding, the past few years have been disastrous. Orders and output have plummeted and jobs have been slashed in the tens of thousands. As with shipping, market recoveries have quickly been succeeded by sharp downturns in work.

In Japan, the biggest shipbuilding country with nearly half of the market, the amphasis is now on further cuts in capacity and limits to production. While the dominant shipbuilding groups do not intend to leave the industry altogether, they view the future with concern.

What is true of companies applies equally to governments. The Tokyo administration is far less keen on shipbuilding as an instrument of industrial growth than it used to be. It has been leaning on the industry to contract.

The huge debts of companies such as Sanko in Japan, whose massive ordering of bulk carriers in 1983 was a major reason for the market's subsequent decline, and C. H. Tung of Hong Kong have rebounded on shipyards, which are stuck with a number of completed ships on which payments still have to be made.

Disenchantment with shipbuilding even extends to South Korea, which has expanded aggressively in the industry since the early 1970s. Ironically, much of the initial help in setting up the industry there came from the UK, where yards are now desperate for orders and announcing large-scale redundancies.

However, the Koreans, number two in the industry behind the Japanese, are looking on the shipbuilding market rather more coolly than much of the rest of the world. With the yen strengthening steadily against the dollar, Japan's competitiveness is being chipped away.

Thus the Koreans, who have long resented the strength and past military dominance of Japan, are determined to take as much of the industry as possible from Japanese yards. The top executives of Daewoo and Hyundai, which run some of tha largest and most modern yards in the world, have been wooing customers extensively, pulling in orders from Norway, India, and elsewhere, as well as from domestic owners.

Like most other yards, however, those in Korea are not making any money. The Okpo yard of Daewoo, near Pusan, has work stretching beyond 1987, an enviable position for any international yard. Last year, it delivered the 12th container ship for United States Lines to complete the biggest shipbuilding contract ever, worth $570m.

US Lines, though, is now floundering. Headed by the tough and secretive Mr Malcom McLean, it has been hit on its new round-the-world service by falling rates as a result of the new capacity unleashed on the market by itself, by Evergreen of Taiwan, and other lines.

McLean Industries, the parent of US Lines, made a heavy loss last year and has had, humiliatingly, to turn to its banks for help. It has requested delays in loan repayments, a step which many other companies in shipping have had to take recently.

Thus the banks have been forced to step closer to the limelight, as the financial difficulties of more shipping companies are brought out into the open. Many banks are now extremely reluctant to lend to the shipping sector, though there has been nothing like a mass withdrawal.

Throughout the maritime sector, blame is being passed around freely. Governments are criticised for propping up shipyards to preserve jobs and votes; banks come under fire for their past willingness to lend to shipowners and failure to scrutinise their earning power more closely; yards are blamed for trying to attract orders at any price; and shipping companies are attacked for ordering too many vessels on the flimsiest signs of brighter markets.

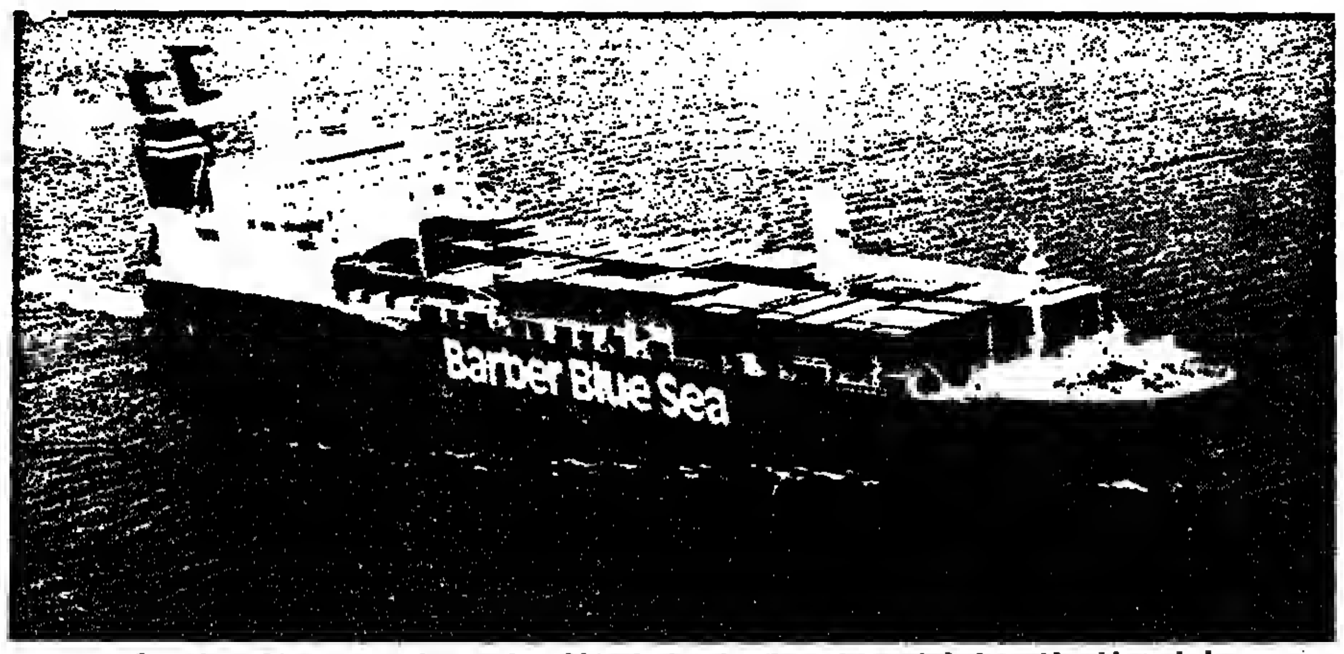
Generally, the blame is accepted. No one sector of the industry wants to shoulder all of it, however. And proving that there is still money to be made in shipping, Peninsular and Oriental Steam Navigation, Britain's biggest shipping group, has just paid £150m for half of Overseas Containers (OCL).

Since it already owned 43 per cent of OCL, which has been making record profits but foresees a sharp drop in 1986, the move by P & O was viewed in the UK and overseas as a bold gesture of confidence in shipping, especially in the container trade.

To illustrate just how things have changed in the industry, the P & O move was by a group which is now heavily involved in other activities such as property, construction, and catering. Its chairman, Sir Jeffrey Sterling, does not come from a shipping background. And while P & O also has major interests in the cruise industry, a sector also threatened with over-tonnaging, he is determined to squeeze more profits from passenger vessels.

The traditional shipowning practices and values now have little relevance for an industry which has experienced unprecedented turbulence in the 1970s and 1980s. Increasingly, and especially so in containers, shipping is viewed as just another link in the business of carrying goods between seller and buyer.

While there is still plenty of room for flair and opportunism, today's industry also requires the more prosaic instincts of caution, patience, and corporate thrift.



Container shipping, a mainstay of world trade, is going through a period of considerable turbulence

Posidonia facilities improved

FOR the first time the US is to have its own pavilion at the biennial Posidonia International Shipping Exhibition to be held in Piraeus, near Athens, early next month (June 2-7).

Other leading maritime nations which regularly exhibit at Posidonia are Brazil, Denmark, Finland, France, West Germany, Italy, Japan, the Netherlands, Poland, Singapore, South Korea, the UK, the Soviet Union and Yugoslavia.

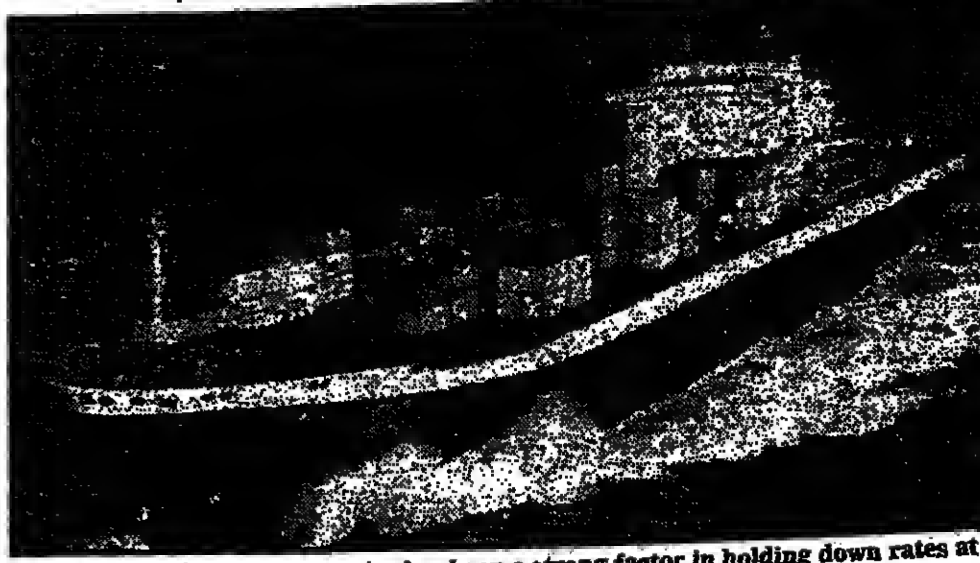
St Nicholas Terminal, on the Piraeus waterfront, built to serve cruise ship passengers but better known since 1976 as the Posidonia Exhibition venue, has been extensively refurbished and renamed the Exhibition Centre of Piraeus.

The exhibition area has been extended, restaurant facilities improved and air-conditioning installed in the central section. *Landscaping* has been carried on the *frontage facing the famous* Akti Miaouli, where the *leading Greek shipping companies'* offices are located.

CONTENTS

WORLD SHIPPING 2

Pressure on freight rates



Over-capacity on many routes has been a strong factor in holding down rates at difficult levels

Container ships

ANDREW FISHER

IN AN industry where operators have become well used to financial bruises, container shipping is currently going through its biggest upheaval since steel boxes were first loaded on to vessels in the 1960s.

Not only has capacity risen alarmingly on key world routes but the ships in service have also been getting bigger. Some of them can now carry around 4,000 container units.

While other shipping sectors like bulk carriers or tankers remain sunk in depression or show only faint glimmerings of recovery, the container scene is abuzz with new fleet developments, shifting partnerships between lines, companies' financial gyrations, and changing route strategies.

For the participants, tension goes hand-in-hand with the excitement. Jostled between the expansion-minded Far Eastern and US lines and the more cautious Europeans are a host of smaller companies which are now finding life very tough indeed.

Over-capacity on international liner (scheduled cargo) is around 30 per cent, according to London-based Drewry Shipping Consultants in a recent study. "On present evidence," it commented soberly, "the volume of general cargo carried by sea is unlikely to fill this gap much in the next few years."

Thus freight rates, already well down on the past few years as a result of the growing tonnage surplus, are unlikely to show much improvement, despite the efforts of shipping lines.

The powers of conferences, which agree prices, schedules, and cargo allocations, are not what they used to be. The big lines with costly new tonnage such as Evergreen of Taiwan (see separate article) have tended to function more as outsiders, fixing their own rates at levels below those of the conference.

Not that companies like Evergreen want to see rates remain low. The Taiwanese line, though suspicious of conference groupings on the various legs of its round-the world service, was a member of the large Asia North American Eastbound Rate Agreement (Anera), until its recent withdrawal, apparently prompted less by disagreements over rates than over rules on service deals with shippers.

Anera has just put rates up by 15 per cent and plans a second increase of this size later in the year. But it remains to be seen if the rises will stick, even though cargo volumes from such Far Eastern economies as Taiwan, South Korea, and Hong Kong have moved up sharply across the Pacific to the US.

The Pacific is the world's most important container route, but also one of the most overcrowded. Whereas rates and capacity have stabilised on the once fraught Atlantic in the past couple of years, the Pacific remains a battleground.

Several well-known lines have pulled out though their presence there was by no means a dominant one. Hapag-Lloyd of West Germany decided to leave the Pacific last year after losing heavily. This year, Lykes of the US has done the same.

Neither company saw much chance of rates showing any sustained improvement. "It may be several years before profitable operations in this trade are possible," said Mr William Amoss, chairman of Lykes.

As a result of its drastic decision it is discussing the possible sale of the six container ships being built for it in Japan at a cost of some $225m. It is switching its four ships on the Pacific route to its service between the US Gulf and northern Europe.

In strengthening its position on the Atlantic, Lykes is following a trend recently set by several other companies. For years, Britain's Overseas Containers Ltd (OCL) toyed with the idea of adding the Atlantic to its route network. Now it has finally done so.

OCL's move, taken cautiously in partnership with TNT of Australia through joint ownership of Trans Freight Lines, was one piece of news which grabbed the industry's attention this year. But shipping headlines have been made round the world by a number of developments in the container sector.

● Europe. As well as its move to the Atlantic, OCL also announced record pre-tax profits of £70m for 1985. But it warned that falling rates and stiff competition would lead to a profits fall in 1986.

More enticing for the industry was the news that the UK's largest diversified shipping company, Peninsular and Oriental Steam Navigation, was buying the outstanding 53 per cent of the OCL shares from its partners, Ocean Transport and British and Commonwealth Shipping, for nearly £150m.

The decision by P & O was seen in the industry as a welcome gesture of confidence in the industry, especially for the fast-dwindling UK merchant fleet. Like Hapag-Lloyd, OCL has a fleet which does not need to be renewed for several years and a low level of debt compared with some competing lines.

Four years ago, the German company was in severe financial trouble and looked like disappearing. But its shareholders, mainly Dresdner Bank and Deutsche Bank, came to the rescue. Now, the banks want to sell some of their 80 per cent stake in Hapag-Lloyd.

Potential purchasers will have to balance its increased financial strength against the growing uncertainty about prospects on liner markets.

While established operators such as Ellerman Lines of the UK can keep operating at times of poor rates and fluctuating cargoes, others find it harder. Atlantrafik Express, a small British company only two years old, has just gone into liquidation owing $28m.

● Far East: Evergreen, the biggest line in the world after its $1bn plus spending spree, is linking with Japan Line on its service to the US West Coast. With seven more of its big 3,000 TEU (twenty-foot equivalent units, the standard industry measurement) vessels to be delivered, it intends to sell some of its older ones.

In the view of Container Insight, a quarterly market review, Evergreen is virtually unbeatable on most world routes. It estimated the Taiwanese line made a net profit of $80 on average revenue of $1,100 per TEU, while United States Lines (which has also expanded heavily with a global service) was losing $95 from revenue of $1,600.

Thus Evergreen can live with lower freight rates than many competitors. "K" Line of Japan is one which is deeply concerned about prices. Mr Kiyoshi Itoh, president of the Japanese line, said the strong yen was hitting shipping companies from Japan to North America.

"It is a great concern whether or when we can restore freight rates to an adequate level," he added.

"K" Line will charter two of the five ships that Orient Overseas (Holdings), the quoted container shipping operation of the financially troubled C. H. Tung Group, has on order in Japan. With Neptune Orient Lines of Singapore, the Japanese and Hong Kong lines charter space on each others' vessels.

The future of the Tung companies is still being worked out with the banks. Mr Henry Fok, a businessman with extensive connections in China, is putting $120m into Orient Overseas, but this is dependent on a full restructuring programme being worked out first.

● North America: The big US lines have seen a sharp deterioration in their finances as a result of the tough conditions on the Pacific. Sea-Land, which has agreed a $650m takeover by the CSX rail company to beat off the predatory Mr Harold Simmons of Texas, made a $10m loss in the first quarter. American President lost a similar amount.

While these two US companies have been far less aggressively expansionist in the past few years than US Lines—headed by Mr Malcom McLean, a pioneer in the industry—they fully intend to keep in the race. American President plans to invest $500m in the next three years on ships containers, rail wagons and terminals.

The ambitions of US Lines, with a one-way eastbound global service against two-way for Evergreen, left its parent, McLean Industries, with a $67m loss last year. Having invested $1bn on ships and equipment, it found revenues rising only about half as fast as cargo carryings as a result of rate declines. It has had to ask its banks for more time to repay its loans.

It is likely to be a few years before the container shipping industry settles down again. But one change will be all too clearly apparent. The Far East will have vastly strengthened its position in the industry, putting even greater pressure on European and North American lines.

World's top container ports

	(m. *TEU) 1984	1983
Rotterdam	2.55	2.31
New York	2.25	2.06
Hong Kong	2.11	1.84
Kobe	1.83	1.62
Kaohsiung	1.78	1.48
Singapore	1.55	1.34
Antwerp	1.36	1.09
Keelung	1.23	0.94
Yokohama	1.10	0.93
Hamburg	1.07	0.93

*TEU (20 ft equivalent units, standard industry measurement)
Source: Containerisation International Year Book.

PROFILE: EVERGREEN

World leader

ABOUT 10 years ago the world's biggest container shipping company was an upstart with a little-known name and plenty of ambition.

Evergreen now has a fleet of 55 ships with seven more on the way, has just moved into a new headquarters, and is operating at cost and efficiency levels which alarms its rivals.

Evergreen is based in Taiwan and its leading position in the fiercely competitive world of container shipping has resulted from a $1.5bn investment in new ships, containers, trucks, terminals and other equipment.

In an industry where companies are fairly prone to secrecy, Evergreen is one of the most taciturn. Rarely do visitors obtain more than an inkling of what it is up to.

Controlled by the founder and chairman, Mr Y. F. Chang and his family with managers and employees also owning shares, it publishes no balance sheet and only the sketchiest of profit figures.

Evergreen announced net income of $77.4m for last year against $72.3m in 1984 on revenues of $1.2bn ($875m). Some of the Taiwanese line's competitors are sceptical about the figures, however, arguing that the low level of freight rates on the busy Pacific routes has had a severe effect on the financial performance of all operators.

For a company which has established such dominance in its industry, Evergreen has a modest style which borders on the self-effacing. Its new headquarters in Taipei is an unexciting building, designed, said Mr C. L. Lim, president of the company, to be "simple and functional, with no fussiness."

Like almost everything to do with the company, the building is painted green on the outside. Offices of the group's shipping and container operations have green carpets, telephones, and filing cabinets.

The bright green containers are a familiar sight on the world's sea-lanes and terminals. Evergreen has about 150,000 of them altogether.

Its Taipei factory makes green containers for its own use and for other customers—one every 25 minutes.

Nearby the company owns the largest inland container terminal in the Far East, built at a cost of $40m. Cargoes across the Pacific have been increasing again, and like all operators Evergreen would like to see rates rise as well.

But the huge over-capacity, especially on the Pacific, has been keeping rates down. It is doubtful whether cargo volumes will rise enough to push them steadily ahead, though Evergreen is based in one of the most energetic countries of an economically dynamic region.

Its competitors are likely to be grateful for one thing, however. It reckons its own days of expansion are over for the time being. Consolidation is now the order of the day.

A. F.

A wait for oil boost

AFTER YEARS of being written off as a sector virtually devoid of any real recovery prospects, tankers are now coming back into their own. Oil prices have fallen sharply, thus leading to hopes of stimulated demand, tha huge tonnage surplus dating from the 1970s is heing eliminated, and freight rates have hegun to move up again.

Is it too much to hope for a revival in the oil-carrying markets? As yet, it is certainly too early to speak of a return to the palmy days of the early to mid-1970s, when big tankers were all the rage and the cost of a new VLCC (very large crude carrier of some 200,000 deadweight tons or more) could be recouped rapidly.

But times seem to he changing for the better, if slowly. Last year, a record number of tankers was scrapped, with 229 vessels of just over 30m dwt going to the demolition yards, mainly in Taiwan, South Korea and China. This produced a net reduction in the world tanker fleet of 28m dwt to 277m dwt at the end of 1985, including combined carriers which can take liquid or dry bulk cargoes.

Of the ships sent on their last journey to the scrapyards, 72 with VLCCs, totalling 20.5m dwt. Thus the numbers of these ocean-going giants have heen sharply reduced since their brief heyday 10 or more years ago.

At the end of last year, there were about 410 of them still in existence compared with over 720 in 1977, 1978, and 1979 and fewer than 100 in 1969. By the close of 1986, the number of VLCCs could well be down to about 350 vessels.

Ironically, the reduction in the VLCC fleet to about half its peak level is coming as prospects for this size of vessel—also including ULCCs (ultra large of more than 300,000 dwt)—are starting to look rosier.

Although world oil demand is still fairly static, tending to ease rather than rise, the effect of continned low crude prices could give the market a useful hoost. And if Saudi Arabia's pcoduction is increased, VLCCs will henefit.

R. S. Platou, the Norwegian shiphroking firm, estimated that if the cut in prices added 1m harrels a day to oil consumption and the extra demand was met from the Middle East, then an extra 10m dwt of tonnage to transport it would be needed. This would mean a 6 per cent improvement in demand for tonnage.

Further, if Opec, and especially Saudi Arabia as the largest producer, won a larger share of the market at the expense of such areas as the North Sea and Mexico, this would add 5m dwt to tonnage demand. Together, the need for tanker tonnage could thus rise hy about 9 per cent.

Recent weeks have seen an upturn in trading from the Gulf and a lift in rates after several months of waiting for the impact of lower oil prices to show through. Bnt nothing like a real breakthrough has been experienced yet.

For the hig tankers, whose main function is to carry crude oil on long-haul coutes from the Middle East to the industrialised countries of the West and East, any extra demand would come as a long-awaited hoon.

But the fall in oil prices has another side. Lower fuel costs for shipowners means an eventual end to slow steaming, the practice by which owners

Tankers

ANDREW FISHER

keep vessels for longer periods at sea to save on fuel hurning at higher speeds, and to allow for the fact that there is too much tonnage to be balanced by demand.

According to Platou, the optimum speed for a typical tanker of 280,000 dwt in the trade from the Gulf to Western destinations is 9.5 knots at a bunker price of $180 a ton and a rate af Worldscale 25 (around the current level), but rises to 12 knots at a price of $120 a ton.

Tha Worldscale rates for various routes take account of fuel and port costs. Thus a fall in owners' oil costs will be matched by a reduction in the rate, until demand picks up. In the above example, a ship's transport capacity is increased by about a quarter as a result of the action of fuel costs on economic speeds.

Slow steaming to help absorb excess capacity and save fuel has been a feature of the VLCC sector for some years. UK shipbroker John I Jacobs reckons that slow steaming of VLCC and ULCC tonnage accounted for nearly 23m dwt of the near 110m dwt surplus of the oil-carying fleet at the end of last year.

Slow steaming hy other tonnage took up another 21m dwt. Laid-up tankers, however, accounted for the higgest element in the surplus, some 35m dwt, though this was well down on the peak lay-up level of more than 80m dwt in mid-1983.

The remainder of the surplus, on the Jacobs calculations, comprised such factors as port and other delays, ship trading at less than full capacity, and the use of vessels for storage purposes.

It is the size of this surplus, some 40 per cent of the available tonnage, that still places a huge question mark over the tanker industry's future, whatever the trends in cargoes and demand. In past years, any rise in rates has led to a reactivation of laid-up vessels and a market again saturated by excess tonnage.

In 1974, Jacobs notes intriguingly, the oil-carrying fleet was the same size as today, but carried nearly 30 per cent more oil than in 1985 over average distances 35 per cent longer. "The massive overbuilding of the 1970s, and the decline in seaborne oil trade which took effect after 1979 still has a disastrous impact today."

Any incipient optimism, therefore, must be tempered with a stcong dose of reality. Said Jacobs: "Continued scrapping of ships, preferably at the rapid rate seen during 1985, remains the only sure recipe for the return to a sustained and acceptable level of profitability for the tanker industry as a whole."

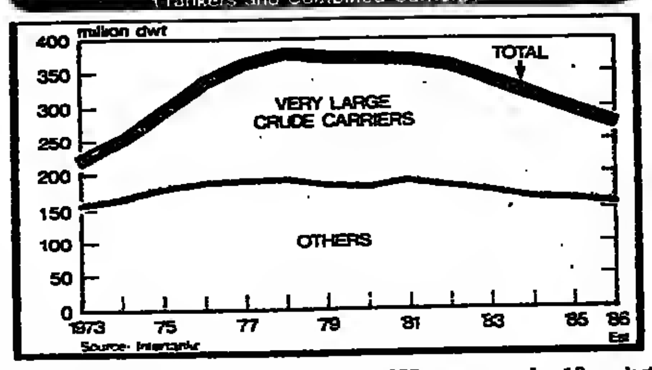
Many tanker operators have given up waiting. The big oil companies, which used to run large fleets of VLCCs and other vessels, have been cutting their loss-making shipping operations drastically. No longer do they feel obliged to maintain a big fleet as the natural accompaniment to the business of finding and selling oil.

Some new ships are being ordered, however. The order book for tankers at the end of 1985 was nearly 12m dwt, about 9m dwt of it for delivery this year. But shipyards keen to maintain activity during the general crisis in shipbuilding could well spin out some of this work for longer.

Last year, about 90 new tankers of various sizes were ordered. The Japanese ordered two VLCCs in the first half and five in the second. Leading the field in the construction of the 47 ships of 2.6m dwt ordered in the second half of the year were Japan (building mostly for domestic owners), South Korea (building for Greek and Norwegion owners), and Yugoslavia (predominantly building refined products carriers for the Soviet Union).

Overall, the picture for tanker operators is becoming less gloomy, if not exactly rosy. A further reduction in the overall oil fleet of up to 10 per cent is foreseen this year. Having been so long in the doldrums, it is the sector which the industry bas come to regard as overdue for an upturn.

World Tanker Fleet
(Tankers and Combined Carriers)



Greater fears of surplus tonnage

CRUISING LAZILY around the warm blue waters of the Caribbean or Mediterranean is a holiday that most people only dream about. Although luxury cruises are by no means the preserve of the super-rich or the upper social échelons, only a tiny proportion of holidaymakers has even sampled one.

There is certainly something seductive about sailing in a gleaming modern vessel, pampered, cocooned from the workaday world, and lavishly fed and entertained. Cruise companies make the most of the glamour in their costly marketing.

But there is a harsh economic side to the industry which is likely to become more apparent in coming years. Even though many cruise company executives go misty-eyed at the thought of all the, supposedly, potential passengers waiting to be enticed on board, cruising is the latest shipping sector to be faced with over-capacity.

Several leading cruise companies, such as Carnival Cruise Lines of the US and Royal Caribbean Cruise Lines (owned by US and Norwegian shareholders) have large new ships on order at European yards.

Thus incipient fears of surplus tonnage are now being voiced more loudly. Kitcat and Aitken, a London stockbroking firm, warned in a recent study: "Over-capacity is likely to increase, reducing load factors and forcing cruise operators to reduce rates to maintain their market share."

It noted that heavy fare discounting was already taking place in the Caribbean, the world's dominant cruising area, and quoted one executive as saying that cruises there were now cheaper than ever in real terms.

Cruising stands apart from mainstream shipping, which is concerned with moving goods and commodities. It is more closely related to the hotel business. Companies tend to

Passenger vessels

ANDREW FISHER

stress their uniqueness of marketing and service, arguing that such qualities mark them out from their rivals and will ensure their survival.

But the fierce competition in tha sector will be exacerbated hy the new ships to be delivered in the next few years and the increasing financial pressures on companies to contain costs. P & O Cruises, a leading operator in the US, has said it wants to squeeze far more profit out of cruising.

Total cruise ships on order amount to some $2bn and the current over-capacity of about 15 per cent is likely to rise sharply, with the market not expected by many experts to keep pace.

Attracting people on to cruise ships, if they have not been before — the repeat factor is high, especially among the affluent elderly — is costly. Cruise operators spend millions of dollars each year on sales and marketing.

Growth in the market would range between 5 and 10 per cent a year, estimated Kitcat. Expensive and inspired marketing could boost this rate, but "the cost of such exercises may counter the efforts of those lines seeking to improve unsatisfactory returns on their assets."

Apart from sales and marketing expenses, the costs of building and running ships are enormous. Cunard, part of Trafalgar House of the UK, is about to spend as much as £80m on re-engining and re-equipping the 20-year-old QE2, perhaps the best-known passenger vessel in the world.

Although lower oil prices have changed the equation, Cunard is keen to replace the fast but inefficient steam turbines with modern diesel-electric power to save on fuel costs and add another 20 years to the ship's life.

The work will be carried out at Lloyd Werft in West Germany, though UK companies have obtained contracts for some of the work on the ship. Last October, before the slide in oil prices, Cunard said the annual fuel costs of the Scottish-built QE2 were little short of £20m. The re-engining was aimed at saving over 40 per cent of this.

P & O Cruises, which also owns Princess Cruises on the US West Coast, paid $150m for the elegant Royal Princess, delivered in late 1984 by the Wartsila yard in Helsinki. She has been a success at the top end of the market, charging premium rates.

Bnt Sir Jeffrey Sterling, chairman of the Peninsular and Oriental parent group, has made clear that he thinks the cruise operation should be earning a pre-tax profit of £20-£30m a year, several times the current level.

"Tha return on our cruising investment overall continues to be unacceptable," he said when announcing the 1985 results. Even withdrawing the 26-year-old Oriana fcom service will cost P & O some £8.5m in redundancy and other costs.

In April the group persuaded crewa on four vessels to accept plans which would cut manning costs sharply and put them into line with competing companies in the US market. Staff are taking redundancy and being re-hired at lower pay likely to be augmented hy tips. They will have longer terms of duty and no paid leave, however.

P & O tried to bring in the measures last year, but was baulked by strikes on its cruise vessels.

For P & O and its competitors the US is far and away the biggest market. Over 2m people go on cruises each year, about 1.6m of them in the US, where cruising is a $4hn industry. Of the 100 or so cruise ships now operating worldwide, 65 sail from North America and the Caribbean.

American tourists' fears of terrorism are causing a decline in the formely popnlar Mediterranean market. Ocean Cruises, a Swiss-owned and UK-managed company with two ships, has just cancelled its Mediterranean and North African itineraries to concentrate more on Scandinavia and the Caribbean.

Other lines have reported cancelled hookings and slow sales of berths as a result of concern about terrorism, especially after the US bombing of Libya. Greek Lines are particularly worried.

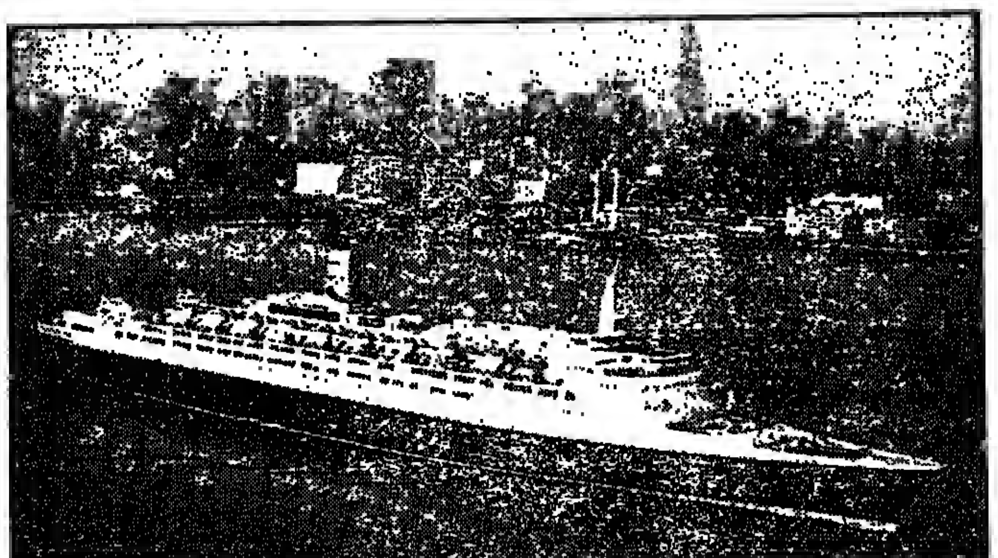
But the pcoblems of the Mediterranean should help the Caribbean and US West Coast msrket, though the benefits will flow through to the whole North American holiday market, not just to cruises.

Shipbuilders have come up with futuristic designs for huge floating holiday centres or "moving islands," though no operators have yet been bold, or rash, enough to order one. Even Channel and North Sea ferry designs are more up-market and cruise-oriented.

Cruise vessels can be a mixed blessing for the builders. While they are generally keen to win the business, the complexity of constructing and fitting-out such ships can lead to heavy losses. Competition to win business is fierce, with orders for new cargo ships on the decline.

Japanese yards are not prominent in pcoducing passenger ships, though they have built for local needs. Nippon Kokan, however, has been pushing hard for orders and has created its own cruise designs, with Norwegian help. So far it has had to content itself with a North Sea ferry order.

But even that is regarded ominously hy Finnish, French, German and UK competitors.



Glyn Genin

The QE2, whose £80m refit will provide her with modern diesel-electric engines

Top ten cruise companies

	Nationality	Berths	No. of ships
P & O Cruises*	UK	6,840	7
Norwegian Caribbean Lines	Norwegian	4,800	5
Cunard Line	UK	4,670	5
Sitmar Cruises	Italy	4,510	4
Black Sea Shipping	USSR	4,293	12
Carnival Cruise Lines	US	4,150	4
Costa Line	Italy	3,970	5
Holland America Cruises	Netherlands	3,870	3
Royal Caribbean Cruise Line	US/Norway	3,840	4
Epirotiki Lines	Greece	3,140	6

* Includes US-based Princess Cruises.

Source: Kitcat and Aitken, ABC Passenger Shipping Guide.

WORLD SHIPPING 4

Rise in demand fails to cheer owners

THE BULK carrier market, over the past few years, has been one of the most discouraging sectors in an industry which has become well used to disappointments and crumbling illusions.

At the turn of the 1980s, shipowners saw bright prospects in the bulk carrier market. They ordered numerous new vessels in the hope that cargoes such as coal would provide rising earnings for years to come.

They were wrong. Even so, there was another wave of new ordering around 1983, headed by the ill-fated Sanko of Japan and copied by many European and other companies. The result? A market where rates have recently fluctuated, as the UK shipbroking company H. Clarkson lamented, "at levels between low and abysmal."

The story is in the statistics, stark and unpromising. Between 1980 and 1986, available dry bulk carrier tonnage rose from 138m deadweight tons to 198m dwt, a yearly growth rate of 6 per cent. But as world oil trade fell, more combined carrier (able to carry wet and dry cargoes) were shifted into the bulk market.

In the same period, the Oslo shipbroking firm of R.S. Platou, has pointed out, average annual growth in seaborne transport of dry bulk commodities — the main ones are iron ore, coal and grain—rose by only 1 per cent.

Actual demand for bulk shipping has not been quite as bad, however. This has risen by some 3 per cent annually, as a result of changes in voyage patterns, the number of chartering fixtures, and a slight decline in the shipping industry's productivity resulting from the tonnage surplus.

Last year turned out to be one of the most dismal for owners of dry bulk tonnage. In 1984, total demand for bulk tonnage had soared by 10 per cent, though over-capacity ensured that this did not show through in rate improvements. The rise in 1985, though, was just 3 per cent.

Sluggish economic performance around the world was the main reason for the sloping off in demand for bulk shipping. But there were other factors, too. Grain trading was poor, because of reduced Soviet imports needs after the improved harvest. Freight rates fell sharply on the major export routes from the US.

Bulk carriers

ANDREW FISHER

During summer, said Clarkson, the Russians were right out of the US market, though they continued to buy from elsewhere. Also dampening the market was the weakness of demand from the Great Lakes caused by the weather damage to Canada's harvest.

But while markets were slack, new ships were still pouring on to the market, as the orders placed a few years earlier were completed. A record number of bulk carriers, totalling some 16m dwt, was delivered last year. However, scrapping increased from 3m dwt to 6m dwt, offsetting some of the surplus.

Looking for rays of cheer among the gloom, Platou takes some comfort from the fact that few new orders were placed for dry bulk ships, with the order book thus falling by 11m dwt to 16m dwt. Some 12m dwt is expected to be delivered in 1986.

Maybe in a few years, therefore, the bulk market will return to a reasonable balance between supply and demand. Until that happens, the pressures on shipowners will continue to be immense. As in other sectors of shipping, it is the banks which control the future of many companies, having lent heavily to promote their expansion in the first place.

One of the companies to have succumbed spectacularly to the vicissitudes of the industry is Wah Kwong, the third largest shipping group in Hong Kong. Mr Frank Chao, its president, was long one of the most vocal and optimistic personalities in shipping. Now, like many other prominent figures in the industry, he is keeping his head down.

Wah Kwong has always been a heavy investor in new ships, as has another leading Hong Kong company in trouble, the C. H. Tung group. Both had large numbers of vessels on order when the scale of their debts became too much for them and their bankers to bear, as freight rates drifted and earnings were submerged.

Restructuring proposals are being worked out by different sets of bankers for both companies. But while the Tung operation covers bulk, tanker, and containerised liner shipping, that of Wah Kwong is chiefly in the bulk market.

Wah Kwong's overall debt is some $850m, less than half that of the Tung group. It has nine ships on order, but three are likely to be cancelled at yards in Japan and Taiwan and delays will probably be sought on the others. A sizeable amount of the 60-ship fleet is also expected to be sold off under plans being worked out by Amex Asia, which is advising the company.

One of Wah Kwong's problems was that often when other shipping companies went down around the world, it was itself affected by its charter arrangements with the financially-stricken operators. Wah Kwong had ships on charter to Irish Shipping, Salen of Sweden, and Kangaroo Line of Australia, among others, when these fell into difficulties.

No doubt, more companies will have to call on their banks for a financial lifeline. For despite a few blips in the trend, daily rates available to owners with ships on six months' charter have barely changed since the start of 1984.

A Panamax vessel of about 60,000 dwt, with the latest fuel-efficient propulsion, could obtain just under $5,000 a day at the start of 1984 and just about the same two years later. Around March and April, 1985, however, the rate moved up to $6,000. For a big ship of 120,000 dwt, rates have fallen from $10,000 in the spring of 1984 to half this level at the end of last year.

As for the future, hopes are not running too high. The chronic surplus in the bulk carrier fleet should gradually be alleviated by the slowdown in new ordering and the rise in scrapping, but there are still too many newly-built ships available in a sluggish market.

Steel consumption is not expected to grow this year in the industrialised world and to show only a small advance in the developing countries. So there is unlikely to be any rise in seaborne trade in iron ore (static last year after a surge in 1984), or coking coal, even if distances involved in shipments rise through larger Brazilian ore exports.

The best that can be forecast for the sector, it seems, is a slow end to the agony. Shipowners have become wary of false dawns, as there have been several times in the past few years when the downturn appeared to have been reversed. Still, the rest of the 1980s can hardly be worse than the decade so far.

Bulk cargo rates

	Ship size (dwt)	Mar 1986	Mar 1985	Mar 1984
		($ per ton)		
Grain:				
US Gulf-Japan ...	50,000	10.25	16.00	15.75
US Gulf-Holland .	55,000	6.00	9.25	11.00
Coal:				
US-Japan	120,000	7.70	11.00	13.40
Oil:		(Worldscale†)		
Gulf-N. Europe ...	VLCC*	25.5	20.0	24.0
Gulf-Far East ...	VLCC	29.0	23.0	27.5

* Very large crude carrier (over 200,000 dwt).
† Tanker rate, taking account of port and fuel costs.

Source: Matheson (Chartering).

Hybrid vessels improve the risks

IF THE number of seemingly unnecessary abbreviations and acronyms are anything to go by, observers could be forgiven for wondering whether any good ideas ever come out of the shipping industry.

Why, for example, call a supertanker a Very Large Crude Carrier — VLCC for short — or a barge carrier a Lash vessel—Lighter Aboard Ship?

Its not simply jargon invented by the industry to prevent ordinary people understanding their business, however. Nor is it a lingo thought up by businessmen with nothing better to do, although some may think so. It is actually a useful vernacular to describe various types of hybrid ships developed to carry particular cargoes on particular trades.

Specialist cargoes

PAUL BARTLETT

Specialised shipping is the "thinking" end of the business and what is specialised today becomes tomorrow's norm. When ocean-going roll-on, roll-off (ro/ro) ships were developed to trade with countries whose port facilities were somewhat primitive it became necessary to re-classify conventional cargo vessels and their successors—containerships—a lift-on, lift-off or lo/los.

Eventually, everything gets a label and the shipping business becomes yet more inscrutable to the outsider.

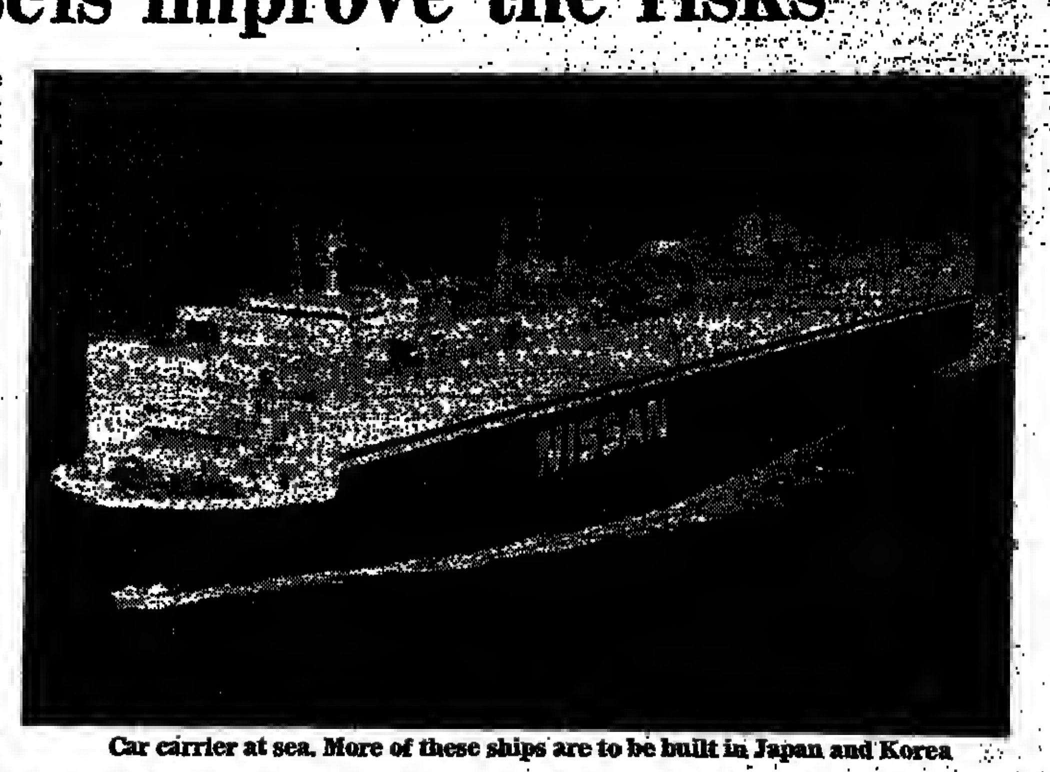
Shipping is an industry fuelled by ideas and, as lengthy recession grinds on, new and good ideas become all the more vital. There are still plenty of them and plenty of people capitalising on them too, even if the risks are somewhat greater and backing more difficult to find than in more mainstream areas of shipping.

One recent and exciting development involves yet another acronym: soon the 27,000 dwt CHL Innovator will start trading as a pioneer of the BIBO concept—bulk in, bagged out. She will be more than merely a means of transport, for value will be added to the sugar cargoes she will carry during her voyage. Part of the sugar processing will take place at sea, saving time in port and revolutionising cargo handling techniques.

The BIBO concept has been developed by two international companies—Thomas Nationwide Transport and E. D. & F. Man who have established a joint owning company, Commodity handling, and demonstrated their excitement at the concept by investing about $17m to buy an ex-Lyle Shipping bulker for a little over $5m. They have fitted it out with air conditioning, stainless steel-lined holds, bagging plant and computer-controlled conveyors.

The companies reckon they could be pioneering a new approach to bulk shipping applicable throughout the soft bulk trades—grain, flour, fertilisers and others. It could, they say, change shipping techniques as radically as the containership and ro/ro once did.

Such new ideas often make the headlines. But there are plenty of areas of specialised shipping we take for granted. Who is even faintly concerned at how his Japanese car gets into his nearby showroom. Like as not, it came on a PCC, or possibly a PC/TC — pure car carrier or pure car, truck carrier. There are 21 such vessels on order with a total capacity of about 95,000 cars and/or trucks.



Car carrier at sea. More of these ships are to be built in Japan and Korea

Most are to be built in Japan with a small balance in South Korea, where order-hungry shipyards are only too pleased to contract for expensive and advanced vessels (which, incidentally, must be the ugliest ships afloat), with European vehicle carrier operators.

These have usually committed to charter the ships from companies set up by the Japanese yards or trading houses concerned but will probably buy the ships eventually to continue to service their long-term deals with companies such as Ford, General Motors, Sumitomo, Mitsubishi, and others.

Take another sector: the products tanker market. This has long been thought the only source of hope in an otherwise disastrous tanker market but the latest goings-on at Opec may have left owners with a distinctly uneasy feeling.

The $15 barrel of crude oil is fairly attractive either to the East or the West and the future for the liquid petroleum gas trade may well be determined by how much Opec producers insist should be lifted as a proportion of crude cargoes.

Some interest has already been shown in an ultra-flexible type of tanker that could be used to carry crude or products. Indeed, the Belfast yard Harland and Wolff has a new "Sumax" design on offer which chairman Mr John Parker thinks could be just the ticket for troubled tanker owners.

As the existing fleet gets older, owners and operators will have to keep their options open as they seek to negotiate long-term charters. This vessel, says Mr Parker, will be able to get through the Suez Canal (hence its name) and owners can choose the arrangement of tanks to retain as much flexibility as possible.

A few months ago Harland and Wolff finished building the last of four "reefers" for Blue Star Line of the UK. The ships are engaged in the worldwide transport of refrigerated food, another specialised trade. Australia and South America are major sources of meat, but some Australian producers are concerned about changed eating habits. Shipowners are also worried about volumes as well as freight rates.

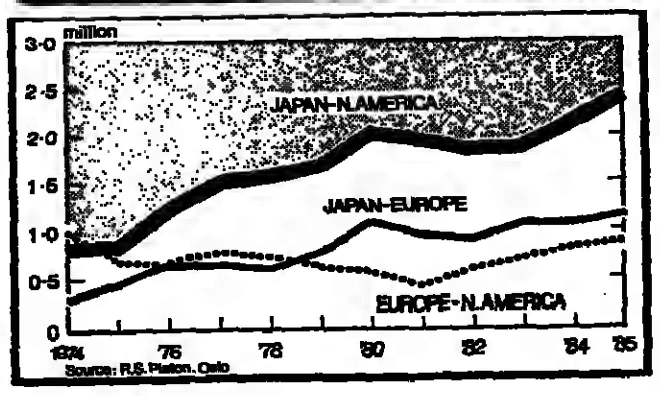
The aptly named Cool Carriers, born out of the demise of the huge Swedish shipping group Salen, has been competing fiercely for new business and, say some other reefer runners, rates have declined sharply.

These are just a few of the specialised types which the shipping industry now takes for granted. There are a number of others—VLBCs (very large bulk carriers), LNGCs (liquefied natural gas carriers), OBOs (ore/bulk/oil carriers), pilgrim carriers (for the Middle East), sheep-ships, and heavy-lift ships.

If there is ever a time when the industry ceases to come up with new names it will signify that it has run out of ideas.

Paul Bartlett is editor of Seatrade Business Review.

Development of Car Transport



Prices falling even lower

JAPAN FIRST, South Korea second, and the rest of the world nowhere very much. That, basically, is the state of play in the world's shipbuilding industry, though the once dominant European countries are struggling hard not to fall even further behind.

Despite their prominence, however, the two Far Eastern leaders can draw little comfort from the current state of the industry. The new order backlog for world yards is at its lowest since 1979.

New building prices fell even lower last year—they have long been at levels where yards are hard-pushed to earn money—and over-capacity has been estimated at about 40 per cent.

In the 1970s, the tanker boom fuelled the shipbuilding industry's expansion, before the oil crises put an end to it. The building price of a medium-sized tanker in 1974 was some $40m, rising to nearly $45m in 1980. Today, it is below $25m and falling. At these prices shipyards can barely cover their costs, hence the need for widespread subsidies.

Increasingly, it has become an industry in which governments have to decide just how much further they intend to provide financial support. In Sweden, once the world's number two shipbuilding country, the Government is closing the famous Kockums yard for merchant work.

All round the world, yards have been shedding workers and trimming capacity. Japan, the world leader, intends to reduce the size and output of its yards again, while the aggressively expansion-minded Koreans are these days operating with more circumspection and less abandon.

In both countries, the governments have edged away from the industry, once seen as an essential basis for industrial development. Tokyo officials are keen to promote a further orderly rundown of the industry, while in Seoul, the Government's attention has switched to more high technology sectors, such as electronics, computers, and automotive components.

Not that shipbuilding is a particularly backward industry. But the labour content remains high and the future of shipyards is often as much a political as a commercial issue.

Attempts to close yards tend, however, not to arouse the same outrage they would have done a few years ago. Although yards, especially in Europe, are often in areas of high unemployment, the industry has been in crisis so long that the bad news usually comes as no surprise.

Shipyards in the EEC shed nearly 26,000 workers in 1983 and 1984, 23 per cent of the total workforce. Since 1975, the industry has lost as much as 56 per cent of its labour, a reduction from 206,500 to just over 91,000 people.

The Commission said despairingly in its latest report on the beleaguered industry: "It is becoming increasingly difficult to adjust to the new employment levels, since every opportunity to redeploy the workforce or for early retirement was exhausted long ago."

The idea of gradually reducing subsidies until the industry becomes slim and competitive enough to survive against Asian competition has been shelved. Yards in Europe still need extensive state help to close the price gap with Far Eastern yards, and to modernise.

Shipbuilding
ANDREW FISHER

But the battle is still not being won. The problems of shipowners have further dampened demand for new vessels, which are already in surplus in major sectors such as tankers, bulk carriers, and container ships.

The pressure on EEC yards, the commission added, "is likely to cause further contractions, despite help from public subsidies until the end of 1986." Most hit recently by lack of orders were France, Italy, and the UK.

Britain's state-owned merchant yards have made great productivity strides in the past few years and have had some success in winning new business. But the work is running out and jobs are being cut sharply because of the lack of orders.

The axe will fall mainly on Scotland and North East England—both traditional shipbuilding areas—the hardest. Both parts of Britain have already seen thousands of jobs in the industry disappear.

In Northern Ireland, too, jobs are at risk if more orders do not arrive for Harland and Wolff. Hence the unprecedented bitterness over the contest for a sophisticated £130m naval support vessel between Harland and newly-privatised Swan Hunter in the North East.

The order went to Harland. But tough conditions on performance were laid down by a UK Government which had seemed not to know which way to turn between Harland's lower bid and its assurances that merchant ship subsidies would not be used for the naval vessel, and Swan's assertions that its future was at stake and the Belfast yard's tender was pitched too low.

Swan Hunter should receive more naval work later.

Yet successes with new orders do not solve the shipyards' problems for long. Building time for merchant vessels is barely two years and the more efficient yards become, the quicker they need to find new contracts.

For many it is a race against time. Mr Graham Day, the Canadian who has just left the chairmanship of British Shipbuilders to head the BL motor group, had some harsh words to say in a final speech on the industry's woes, to a shipping conference held by Lloyd's of London Press.

He called on shipyards to "build only against genuine need and at prices which bear an increasing relationship to cost." He noted that even Finland, which has a highly efficient and specialised industry with a strong baseload of work for the Soviet Union, was having its difficulties in finding work.

Shipbuilders, he said, must start taking decisions based on sound commercial criteria before it was too late.

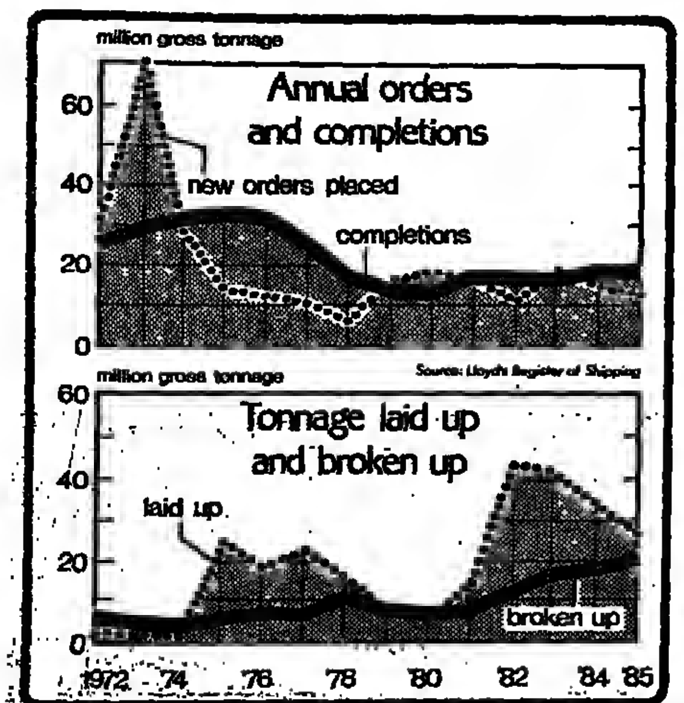
"Japan and South Korea, for your sake, for the sake of the global shipbuilding industry, start to sell at fully compensatory prices which will produce profits and provide a future. If, under these circumstances, European or any other shipbuilders cannot measure up, so be it."

Japan, with about half the world's shipbuilding industry, is increasingly under threat from Korea as a result of the strong yen. Though both countries are agreed that output must be reined back, the intense search for orders goes on.

The huge Korean yards of Hyundai at Ulsan and Daewoo at Okpo, both designed and constructed with expert help from the British industry, have plenty of work at the moment and have won some additional orders this year.

But last year showed just how vulnerable even the Koreans are to the vagaries of the maritime industry. Export orders collapsed from $2.3bn to $522m, putting heavy pressure on the yards' executives to come up with more work.

When orders start to recover, the Koreans intend to be in the forefront of the yards that win them. But with output in the world industry now only half the level of 1975, all yards face a tough few years.



Welder at work at the Govan yard, Glasgow.

Korean yards boost tempo

A SHORT helicopter ride across the bay from Korea's sprawling southern port and industrial city of Pusan is the green and rolling island of Koje, home of one of the world's most modern shipyards.

It was off the island's east coast at Okpo Bay that the Koreans inflicted a severe naval defeat on Japan in the 16th century, using "turtle ships," claimed by Koreans to be the world's first ironclad warships.

Today, the $500m Okpo yard is one of Korea's bases for a peaceful economic onslaught on the Japanese, whose exports are now suffering from the recent strength of their long undervalued currency.

Run by Daewoo Shipbuilding and Heavy Machinery, the yard is currently full, something that can be said of few other big yards in the world. Even so, Daewoo is anxious to reduce Okpo's dependence on the volatile marine market and switch over more to general engineering.

Earlier this month, Daewoo picked up another order from a Norwegian shipowner, Hoegh-Ugland Auto Lines, to build a third roll-on/roll-off car carrier worth some $48m. This brought Daewoo's new orders for the year so far to $250m, already above the 1985 total of $219m.

The Okpo yard began operations only about six years ago. Since then, it has built some of the biggest ships in the world. The yard is not as big as that of Hyundai in Ulsan, but its existence has sent chills through shipbuilders around the world, having added capacity at a time when total orders have been slack.

Apart from Daewoo and Hyundai, the other main players in the aggressive Korean shipbuilding industry are Korea Shipbuilding and Engineering and Samsung Shipbuilding and Heavy Industries. All are keen to reduce imports of Japanese marine equipment and develop closer links with European manufacturers.

Last year Daewoo decided that its Okpo yard needed streamlining. It had been producing more steel than it needed and tending to neglect production controls. Mr Y. S. Yoon, brought in to head Daewoo's shipbuilding operations, claims productivity has been boosted by 35 per cent.

He has slashed the number of outside contract workers in the yard by 4,000 to about 10,000. The yard now employs some 17,000 people, 12,500 of them permanent Daewoo workers.

Banks learning hard lessons

IF LAST YEAR was a bad one for shipping it was equally so for the banks which have lent billions of dollars to the industry in the past few years.

The year 1985, said Mr Boris Nachamkin, a senior vice-president of Bankers Trust, "went into the books as the year of disaster."

Sanko of Japan collapsed with liabilities of Y1,000bn ($5bn at last August's exchange rate), the C. H. Tung Group of Hong Kong had to turn to its banks for help in restructuring over $2bn of debt, and many other companies fell into deep financial difficulties.

Mr Nachamkin, who handles shipping finance from the US bank's London office, made the point in his speech to a shipping conference last month: "Too much shipbuilding capacity, too much government intervention, too many shipowners ordering too many vessels, and too many banks lending too much money."

There are no precise figures for the amount of money on loan to shipowners. Estimates have been made of as much as $70bn, of which $20bn may have to be written off in the next few years.

Some bankers feel that this is too alarmist, however. Among them is Mr Nachamkin, who reckoned that there could be some $50bn of debt attached to all the ships afloat. "But I would venture to say that at least half can be attributed to the shipyards and/or governmental credit agencies," he added.

Whatever the real figures there is no doubt that several banks have been badly bruised by their past enthusiasm for the shipping industry. This year, Wah Kwong, the third largest Hong Kong shipping company, has been forced to talk to its banks about rescheduling its $350m worth of debt.

Quite simply, many bankers are now very scared of lending to the shipping industry. Thus shipowners, even with projects in which the speculative element is at a minimum, find it much harder to prise funds out of the banks.

Embroiled in the complex debt problems of the two growth-minded Hong Kong owners — by contrast, the shipping operations of Sir Y. K. Pao have been much scaled down — the Hongkong and Shanghai Bank had to make special provisions in its 1985 accounts to deal with shipping and other loss-making sectors.

One US bank which came unstuck over its shipping loans was Continental Illinois, rescued last year with a $4.5bn Federal bail-out. Nearly $400m of its shipping loans were taken over by the Federal Deposit Insurance Corporation.

Marine Midland, the US bank of which Hongkong and Shanghai is a majority owner, is also making an exit from international shipping, running down its remaining loans.

Bank of America has pinpointed shipping, construction, farming, and Third World countries as areas where it has experienced the most difficulty.

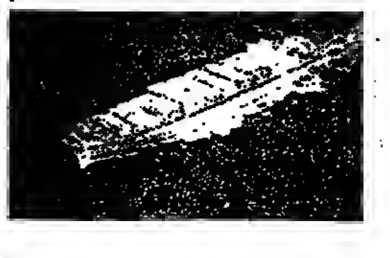
Banks are certainly being much tougher on those to whom they do now lend. "Our responsibility," said Mr Nachamkin in his speech at a Lloyds of London Press seminar, "is like walking a tightrope, a thin dividing line between our responsibility to our bank and to our clients."

Ways in which banks now expected shipping clients to co-operate included:

- They must be prepared to put more of their own equity into a project. "The days of 100 per cent financing are over."
- Owners will have to see that proper liquidity is provided from the start "so that we avoid the guessing game of whether the transfer of funds will be effected from Switzerland in time to meet obligations."
- More disclosure of financial information was needed. "We will no longer accept pencilled figures on foolscap or 'company' figures."
- Owners must ensure that their ships have a proper spread of work and are not bobbing about on the spot market.
- Owners would have to diversify, property being an "obvious" example.

Mr Nachamkin admitted, however, that a few changes in the overall shipping environment would certainly help. Shipyards should only accept business if an equivalent volume of tonnage is scrapped, while Governments should no longer subsidise shipbuilding and users should agree to higher freight rates.

A. F.



THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Bridging the UK-US divide

William Dawkins on the difficulties faced by Wayne Kerr after it set up a subsidiary overseas

OPENING A subsidiary in the US is an awesome task for any small British company at the best of times.

To do so on the brink of a sharp US downturn in demand for its products is a stroke of bad luck that would test most managers' nerves to inhuman limits. Wayne Kerr, a maker of automatic circuit testing equipment quoted on London's Unlisted Securities Market knows the feeling.

Wayne Kerr opened an assembly and distribution outlet in the high technology mecca of Woburn, Massachusetts, nearly four years ago—only to see its main customers in an overcrowded electronics industry enter a steep decline two years later from which they have only just started to recover. "It was like falling off a table," says Ken Berquist, Wayne Kerr's 35-year-old US vice president. "At first we didn't know whether it was us or the market—and neither did the British board."

After plunging from moderate profits to steep losses for a painful six months, a slimmed down Wayne Kerr Inc. is now well in the black. Because it has recovered so strongly, Berquist and his British employers can talk frankly about the lessons of an experience which highlights revealing differences between US and British management styles.

They have learned, for instance, just how hard it can be for a British company to keep faith in its US management during an industry decline. It can sometimes be hard for British managers to accept that domestically successful products might flop in the US and that US markets move at different times and at a different pace from their own.

Rather than cut prices and seek new business areas as many of its US competitors have done, Wayne Kerr preferred instead to hold prices, cut costs and concentrate on selling its existing products hard.

The British group's decision to invest around £350,000 in a volatile and unforgiving US test equipment market was unusual because it was made while its taxable profits were plummeting from £488,000 to £64,000 in the year to December 1983. Happily, profits have since recovered to £1.3m in 1985.

"The centre of our market is in the US. So we reckoned that if we were not in the US, we would just not be considered as serious by our biggest customers," explains Paul Heelas, group commercial director. Like most small British companies seeking a US presence, Wayne Kerr head-hunted a US manager to hire local staff rather than attempting to transplant a British team.

Berquist, a former marketing executive for Analogic, a Bostonian computer peripherals concern, oversaw a relatively smooth first two years, in which sales rose to $3.5m (£2.3m), a useful contribution to the group's £6.9m turnover in the year to December 1983.

The first sign that the going was to turn tough came in the following year, when Wayne Kerr launched in the US a computer aided design (CAD) system which had proved successful at home. "It was an abysmal failure," admits Berquist. "We just couldn't compete on price or performance with IBM. Our production price was higher than their selling price."

The system was withdrawn in October after making a small loss, which Berquist puts down to the "learning curve." But what was to come was far harder to handle. The US semiconductor industry, the main barometer for the electronics market, started to collapse in the last quarter of 1984 under the twin burdens of mounting overcapacity and falling demand from computer producers.

Within a month, Wayne Kerr Inc's sales had dropped by 30 per cent, "enough to take a company of our size well into the red," says Berquist. His immediate problems were to maintain credibility with his British employer and to get them to appreciate the company's plight.

For a start, published trade information tends to be three months out of date. None of his main competitors was prepared to admit that they too were in trouble because they had no idea either whether the sales decline was of their own or the market's making. To complicate matters further, the UK semiconductor industry had not yet felt any of these pressures.

"In February 1985, I told the board that something very serious was happening. It was not well received. They thought I was being reactionary," says Berquist. Alan Dennis, Wayne Kerr's chairman, recalls: "It was difficult to tell whether it was a temporary lull, something to do with us or something to do with the market."

It was not until June that the British board was sufficiently convinced that there was a long term market problem rather than an internal hiccup to sanction a cut in the Woburn workforce from 26 to 14 people. That, helped by salary reductions for the remaining staff and a weakening pound, produced an immediate 50 per cent reduction in costs.

Berquist supported the staff cuts—indeed he asked for them in February—but found it much harder deciding who should go. After intense debate over just where the redundancies should fall, the UK board and its US manager reached agreement. "It was a credit to Ken that he resisted some of our proposals. After all, we chose him because we needed somebody who could create a team and be loyal to his people," says Dennis.

In the year to last December, Berquist saw his turnover drop from $3.5m to $2.6m on which he made a loss. The US operation has now been profitable for nine months and is heading for $3.5m sales this year, a rather better performance than its nearest local equivalent on Boston's Route 128, GenRad, which has just turned in a first quarter loss of $8.6m. Other US competitors like Teradyne and Zentel are breaking even or making small losses.

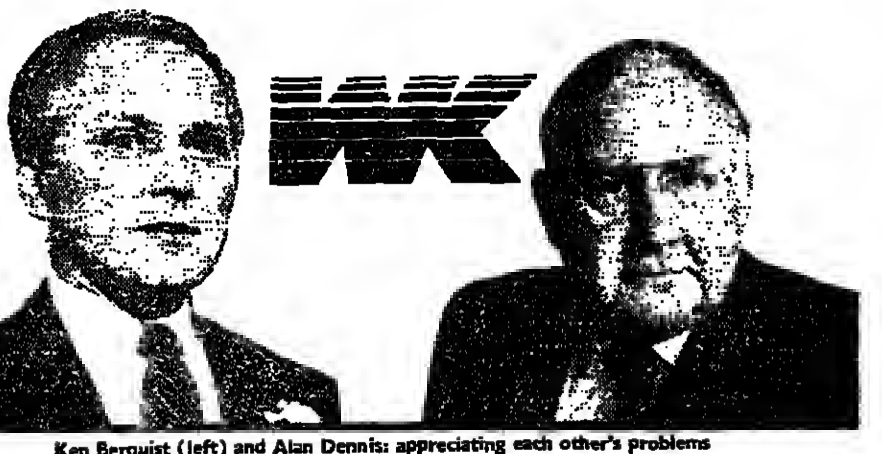
One reason why Wayne Kerr Inc has not been worse hit is its refusal to cut prices. Most of its competitors sell test equipment for around $150,000, three times the average price of the British group's smaller and more basic machines, and have been offering discounts of up to 50 per cent in the US.

Berquist has been able to avoid discounting because, he argues, prices are less important at the small end of the test equipment market. His larger customers, like IBM, Exxon and AT&T, tend to buy small machines when they want to supplement the output of their larger GenRad type equivalents. This allows them to raise output in small stages without having to shoulder the cost of unused capacity—a useful technique when the industry outlook is uncertain.

Despite the trading problems, Wayne Kerr's US venture has produced at least two important indirect benefits. First, its US presence has given the British group access to other international markets which could not be reached from home. The US office has, for instance, recently signed a $500,000 contract to make test equipment for Vicor, a nearby power supply producer. Last month, Vicor licensed its power supplies to a Japanese company on condition that Wayne Kerr test equipment went with them. That, plus similar Vicor related contracts, could well be worth $1m in world sales this year.

Secondly, Wayne Kerr is in touch with US test equipment technology that can be up to two years ahead of Europe. This means, for example, that it is now developing a device for testing surface mounted circuit boards which are only just starting to catch on with British electronic companies.

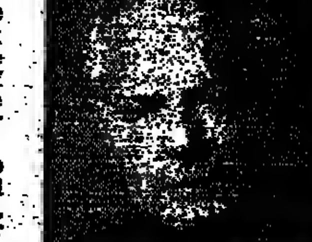
Berquist and his UK employers have come out of all this somewhat weather-beaten. As Dennis says: "Pioneers have not made it until they have survived one winter." Berquist has also earned enough respect from the British board to be offered a large pay rise at the end of last year—but he refused to accept because he did not think he had earned it.



Ken Berquist (left) and Alan Dennis: appreciating each other's problems

An independent venture capitalist takes the chair

Colin Clive (below): Tax treatment of funds is at the top of his agenda



POLITICAL lobbying by the British Venture Capital Association will take on a different direction and style following the election last week of Colin Clive as its new chairman.

Clive, 49, a retiring and courteous man, is seen by many as the eminence grise of British venture capital. Thompson Clive and Partners, the investment management group of which he is managing director, is one of the smaller players in the industry with just £30m under its control.

Yet its portfolio includes two widely acclaimed venture capital success stories, DPCE Holdings, the fast growing computer maintenance group, and Isotron, the independent gamma radiation service which last summer joined DPCE on the main stock market. Clive takes over as the venture capital industry's public voice from the flamboyant Ronald Cohen, chairman of the US-inspired MMG Patricof Group.

As such, he is expected to pursue a gentler and more diplomatic—though no less effective—lobbying style than his predecessor. One issue at the top of Clive's agenda for the coming year is the tax treatment of venture capital funds.

"The Government has been very supportive of our industry, but England is still behind most places in the formation of new companies," he says. That is partly, he believes, because the UK lacks tax efficient investment vehicles for the institutional money which accounts for the majority of the industry's funds.

Under present rules, investments in UK registered funds attract capital gains tax twice—once in the hands of the fund and again in the hands of underlying investors—when they are sold. That means that most venture capital investors, apart from exempt institutions like pension funds, pay an effective capital gains tax rate of 51 per cent, says Clive. That compares with 20 per cent in the US or 15 per cent in France, where funds can pass shares directly to investors without paying tax on the way. He will be lobbying for UK funds to be granted so-called "tax transparency."

Several British funds have tried to avoid the problem by setting up offshore or structuring themselves as partnerships, though the latter route can create legal tangles for some investors. Both solutions, says Clive, only drive up costs unnecessarily.

In some ways, Clive is an untypical British venture capitalist. Unlike his predominantly financially oriented competitors, he has an industrial and scientific background. After taking a degree in electrical engineering at the Massachusetts Institute of Technology, Clive joined IBM for five years, working in London and Paris. He still keeps a home in both cities.

It was during that period that he became a founder shareholder, though not an executive, in a small technology start-up called Unitech—now a [illegible] annual turnover electronic components distributor. That gave him a taste for independent business, so Clive enrolled at Harvard Business School at the age of 29.

He was later head-hunted by Bankers Trust New York to launch a European division. Three years later, Jacob Rothschild invited him to set up a venture capital arm for the bank, arranging finance for small businesses. "We were really venturing without capital, syndicating everything," recalls Clive.

It was at Rothschilds that he met Richard Thompson, the other half of Thompson Clive, who agreed with him that it would be more satisfying to have their own capital to invest. The pair persuaded Rothschilds to sell them their fund at a nominal sum. "There were no assets. It was really no more than a management finance group," says Clive.

However, it was enough to form the core of a new venture capital partnership and helped them in 1980 to raise £1.8m, thereby becoming one of the first independent—as opposed to institutionally owned—funds in British venture capital.

WD

In brief...

THE accountancy firm Arthur Andersen and West Midlands Enterprise Board are jointly sponsoring a £30,000 competition for businesses in the Midlands.

Prizes of between £10,000 and £1,000 are to be awarded to small ventures with development projects that have outstanding profit and job creating potential. Entry is open to sole traders, partnerships and limited companies which can produce a development plan that requires a minimum investment of around £100,000 and will employ at least 50 people.

The sponsors will also try to provide or obtain investment for the winners, though they cannot guarantee success. Tony Timberlake, Arthur Andersen's Birmingham managing partner, said: "The aim of this competition is to encourage businesses with exciting new projects to come forward. We are looking for viable propositions, supported by sound business plans, which have the potential to provide new employment."

Entries must be received by July 31. Applications from Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD or from West Midlands Enterprise Board, Wellington House, 31-32 Waterloo Street, Birmingham B2 5TJ.

●

THE European Venture Capital Association is to hold a two-day conference on June 19 and 20, entitled Financing Growth Companies in Europe.

Subjects will include the European venture capital environment, opportunities for cross-border investments, case studies of recent venture-backed deals and how to investigate and keep track of investments. The venue is the Hilton International, Munich. Tickets cost DM 950 (£425.40) for EVCA members, rising to DM 1,250 for non-members. Details from EVCA, Clos du Parnasse 11F, 1040 Brussels.

●

AUSTIN ROVER last week launched a quarterly business magazine for small companies.

The car group has distributed 100,000 copies of Business Today free to subscribers to its BusinessLink Card scheme, which provides hire cars when Austin Rover's business customers' new cars are off the road.

The 32-page colour publication includes advice on the avoidance of bad debts, speeding-up slow payers, direct sales and marketing. Business Today is free to BusinessLink customers, but is available for £10 annually from Parke Sutton, 8 Thorpe Road, Norwich NR1 1RY.

●

BARCLAYS Bank says that following the changes to the loan guarantee scheme in the Budget, it is expecting to extend the £120m it has already lent under the scheme. The changes became effective from May 1 and mean that the annual guarantee premium, payable quarterly in advance by the borrower on 70 per cent of the reducing balance, is cut from 5 to 2.5 per cent. The scheme is designed to assist small and new businesses to obtain finance not normally available under normal banking criteria.

●

A BOOKLET, entitled Advance Warning, has been published aimed at providing businesses with pointers on risk evaluation, bad debt reduction, and marketing. It also provides guidance on monitoring competitors, clients and suppliers and on ways of identifying other companies or market sectors ripe for takeover or attack. The booklet is available free from the Advance Information Consortium, 38 Court Farm Road, Warlingham, Surrey CR3 9BD, telephone 08832 5572 or 01-583 1696.

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NEW STRATEGIES IN THE FINANCIAL SERVICES SECTOR

LONDON. 11-13 JUNE, 1986

Technology, deregulation and globalisation are revolutionising the financial services sector. The objective of this conference is to provide a forum for practitioners, consultants and academicians to analyse these forces, to exchange views on appropriate strategic responses and to speculate on future trends. A distinguished panel of more than 40 experts has been brought together to lead the discussions, including:

Sir Kenneth Berrill, Chairman, Securities & Investment Board

Mike Blackburn, Chief Executive, Joint Credit Card Co.

Michael Bliss, Chief Executive, Fraser Financial Services Ltd.

Derek Channon, Professor of Marketing, Manchester Business School

Brian Corby, Chief General Manager, Prudential Corporation plc

Ian Hay Davidson, Former Deputy Chairman & Chief Executive, Lloyds of London

David Gilchrist, General Manager, Strategic Planning, Halifax Building Society

Trevor Nicholas, General Manager, Resources, Barclays Bank plc

Andreas Prindl, Managing Director, Nomura International Ltd.

Malcolm Williamson, Chief Executive, National Girobank plc

This is an international conference organised jointly by the Strategic Management Society and the International Banking Centre, Manchester Business School. The conference, at the Royal Garden Hotel, Kensington, commences at 6.30 pm on Wednesday 11th June and finishes at 4 pm Friday 13th June, 1986.

New Strategies in the Financial Services Sector

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For further details contact William E. Price or The Administrative Receiver, Richard A. Smart, either at:

SHOPCO LIMITED, Milland Road Industrial Estate, Neath, West Glamorgan SA11 1NJ - Tel: (0639) 4151

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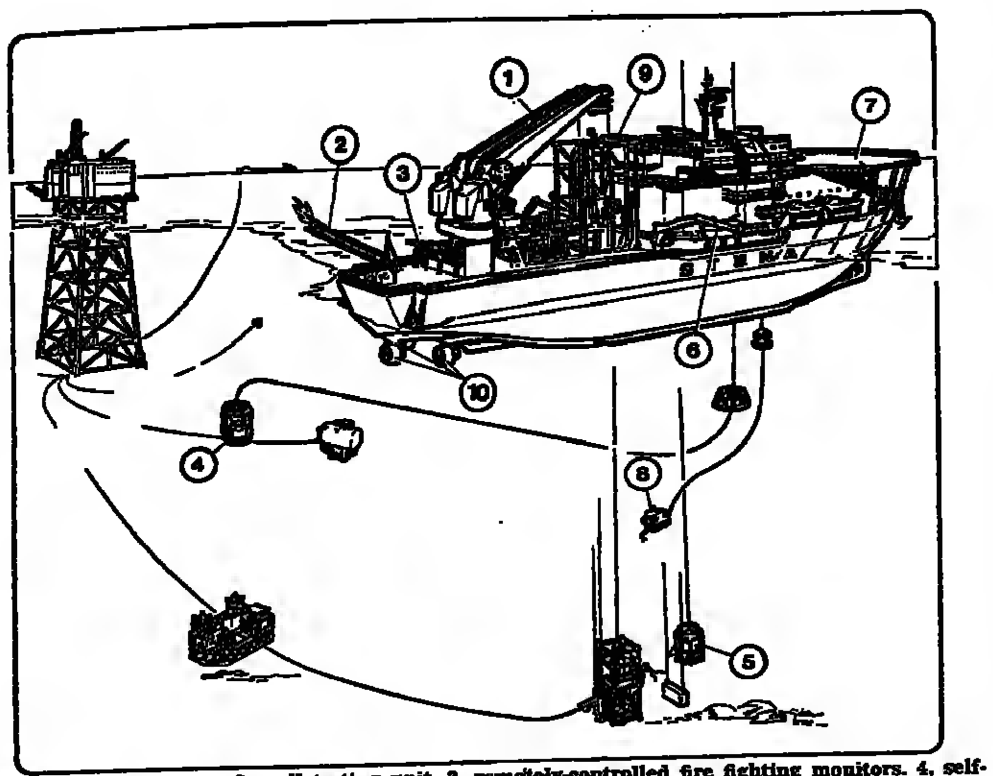
Andrew Fisher on the ship with which Stena of Sweden aims to change oil company thinking on a whole range of off-shore service tasks

A sophisticated lady sets course for the oil fields



KEY: 1, twin cranes. 2, well testing unit. 3, remotely-controlled fire fighting monitors. 4, self-propelled flying bell. 5, conventional diving bell. 6, hyperbaric (compressed air) lifeboat for divers. 7, helicopter deck. 8, remotely operated vehicle. 9, well servicing derrick. 10, thrusters (three at stern and three at bow)

SHE IS impressive rather than elegant, decked out in red and cream and packed with an awesome array of equipment. Her name is the Stena Seawell, her owners are Swedish, and she was built in Britain at a cost of £35m.

Without her banks of computers, she would be virtually unable to function. They keep her stable at sea, handle her heavy cranes, and help control her navigation. She is, in short, the most sophisticated offshore service ship ever built, combining a wider range of tasks within one hull than ever before.

For Stena, a leading Swedish line, the Seawell represents a major step up the technology scale from its existing offshore vessels. The company also aims to change the thinking of oil companies by forcing them to consider quicker and thus, theoretically, cheaper, ways of carrying out a whole range of offshore tasks.

The Seawell still has to prove its benefit to the oil companies, of course. Some of the tasks she performs, like diving operations, well testing and well stimulation—pumping in chemicals to speed up oil flow—are normally carried out by semi-submersibles.

The Seawell was built by Sunderland Shipbuilders, now completing a sister ship for Stena, which will operate her under the UK flag through its Northern Coasters subsidiary. Like other yards of British Shipbuilders, which is shedding 3,500 jobs, Sunderland badly needs new work.

With the Seawell, believes Stena, oil companies will save time and money by using one fast, manoeuvrable single-hulled vessel, or monohull, instead of a hulkier semi, which has to be serviced and positioned by other vessels.

"The basic idea is to try to convince oil companies to use her as a field vessel," says Mr Antz Hell, project manager with Stena. "With diving, for example, the Stena Seawell is more cost-effective, as she can arrive and leave quickly."

Elf Norway, part of Elf Aquitaine of France, will be the first to evaluate the new ship, taking her for a month in the North Sea. "She can be used all the year round for a range of oilfield work. There has been a lot of interest from oil companies and consultants," adds Mr Hell.

She will not be starting work in the ideal environment, as oil groups' exploration and production ambitions have been curbed by falling oil prices. But the Seawell was designed to save time and money, and her owners hope she will score on cost. Time will tell whether, or how soon, she earns money for Stena.

The Seawell can lift heavy loads, operate two diving bells (one a unique mobile flying bell), fight fires, carry out work on seabed installations through a special derrick, and take on helicopters.

Her twin cranes can, when used together, lift 130 tonnes at wave heights of up to 1.5 m. They stand on a common platform, which can rotate through 360 degrees, while each crane itself can turn in excess of 240 degrees, depending on the position of the other one.

Powered by six electric hydraulic units totalling 2,600 horsepower, the system is controlled by a computer which takes signals from sensors on the cranes and in the computerised dynamic-positioning equipment, which keeps the ship steady.

Normally, a monohull is much less stable than a semi. So the Seawell has been designed with a hull that is angled rather than rounded and flatter than usual underneath.

The roll of the ship is further reduced by the heavy superstructure—she just fitted into the covered Pallion yard on the Wear at Sunderland—and the placing of all ballast and fuel tanks as far from the centre as possible.

Stena claims the Seawell's roll has thus been reduced by at least 40 per cent of the usual level for a vessel of her size. She is 112 metres long, 22.5 metres wide, and displaces 11,500 tonnes. In typical North Sea waves of four metres, roll to each side will be just over three degrees.

Too much motion can cause havoc in diving operations. To stop the ship's heaving disrupting this part of her activities, the Seawell's moonpools (the holes through which the bells are lowered) have air pumped in to dampen the swell of the water.

The diving complex, deep within the ship, can support up to 18 divers under pressure. When not diving, they live in special decompression chambers. There are three of them and the two diving bells can lock on to either of them.

The mobile bell, built by Bruker of West Germany, has six thrusters to control its movement, and its progress can be tracked electronically on display units and TV monitors on the ship.

Stena claims use of the two bells will enable diving operations to be carried out for a full 24 hours a day in the right weather.

With safety at a premium in offshore work, the Seawell has hydraulic watertight doors, extensive insulation, and magnetic switches (which can be turned off centrally). The main engines are in two groups of three separated by watertight and fireproof bulkheads.

The diesel-electric propulsion and auxiliary power equals 12,000 kilowatts. Three stern thrusters, one as a rudder, are used for normal transit. With dynamic positioning, which can be operated with a joystick if the computer fails, two stern and two of the three bow thrusters are normally used. The others are on standby.

Three years ago, Stena was thinking of ordering three such ships. [illegible] of the oil industry, it will manage with two. Unfortunately for Sunderland, [illegible] option on a third, the expertise gained in building the Seawell will be wasted. If follow-on work from other owners fails to appear.

Fax terminals find greater favour in UK

BY GEOFFREY CHARLISH

FACSIMILE Transmission, which for many years found only limited favour in the UK, now appears to be taking hold according to the British Facsimile Industry Consultative Committee.

New installations for the first quarter of 1986 have trebled since the corresponding period last year according to this committee. At the end of March 1986, there were over 85,000 fax terminals in the UK, of which 82 per cent were the faster group three machines. During the first quarter of this year, just over 9,000 group 3 machines were installed, compared with only 3,000 during the same period last year.

Increased control over the learning process is passed to the viewer

FILM AND VIDEO

by John Chittock

TWO weeks ago, in cramped offices above an estate agent's shop in Bognor Regis, I unexpectedly found myself assembling the laboratory glassware for a distillation experiment. Equally improbable in such surroundings was a £50,000 chromatography outfit, which I also tried. In fact, none of this equipment was really there, but was displayed via an interactive video (IV) disc system.

The cramped premises, equipped with an impressive array of computers, video disc players, TV monitors and control gear, are the unlikely location of one of Britain's leading interactive video companies—Futuremedia. The video disc I tried was an educational programme made in partnership with publishers John Wiley and supported—as are many at present—by the Department of Trade and Industry.

Interactive video is quickly coming of age, and projects are too numerous to count. Futuremedia's disc will offer schools the opportunity to carry out experiments in chromatography, distillation, electrolysis and AC circuits—without the need for buying and assembling the laboratory equipment (and without the risk of breaking it). As with many interactive video systems, this uses a touch screen—a TV monitor that senses the exact position of a pointing finger and feeds the "selection" to the microcomputer; or a "mouse" may be used instead—a hand-held device which when moved will display a pointer on the TV monitor, again providing a means for selecting an area in the picture that will trigger off a command to the programme. The command may be simply the choice from a list of questions or answers or—as in the assembly of the distillation experiment—the identification of the correct pieces of glassware and the ends which fit together.

The selections from the screen may be supplemented with the input, vis a micro keyboard, of typed answers from the viewer. And, of course, all of the time the micro is storing the results. If the user gets something wrong, the screen will say so and may revert to a moving picture sequence to go over that part of the exercise again.

Futuremedia's laboratory disc is just one of many examples in the educational field. Another of Britain's leading TV companies—New Media Productions—has made an imaginative English teaching disc for Euro-centre language schools. Based on a spoof spy story, which is first rate television viewing in its own right, students have to respond to instructions (via the keyboard) in order to progress through their spy mission. The dual-language tracks on the video disc provide extra support for the learner.

Enough evidence is emerging from research to suggest that learning by interactive video can be more effective than with conventional methods. The most recent example of this comes in an American field trial of a schools IV mathematics course—tested by its publishers, Systems Impact. Compared to pupils taught with text books, the interactive video classes achieved better results, enjoyed the lessons more and received greater individual attention from teachers, who were less busy.

There is, however, a drawback: the cost of the equipment. Futuremedia are offering a package to schools, including disc player, computer and monitor, for about £2,500. But for those unable to justify purchase, another one of the leading production companies is offering a rental deal. Interactive Information Systems, in analysing the industrial and commercial market for training material, has concluded that many small companies would use the medium if spared the capital commitment.

As the producer, IIS has so far released four of its own training programmes covering use of the telephone, selling by telephone, marketing and letter writing. Each of these is being offered on rental, complete with installed equipment, for prices as low as £275 per week. Some 26 dealers and open learning centres across UK have the programmes and equipment available for hire or use locally.

Another IV application finding favour is the point of sale display. This can be controlled by the passing customer even at night via a keypay mounted in the shop window. Convergent Communications, a company with 22 disc sides to its credit, has produced this kind of programme for British Telecom shops and also the Co-op.

In the case of the Co-op, results from a "healthy eating" programme have been evaluated by Convergent to demonstrate the effectiveness of the system. Shoppers interrogating the programme had the opportunity to take away print-outs of menu plans, delivered by the microcomputer. In 11 weeks at seven locations, 4,061 people used the system and of these 2,590 took away printed menu plans.

Interactive video is nonetheless not without its problems. The programmes are difficult and expensive to produce and there is a danger that less experienced producers, let loose on IV projects with budget restraints, "will totally fail to exploit the flexibility of the technology. One of the leading production companies has indeed found itself "involved in delicate consultancy work rescuing people from the results of hasty and ill-advised decisions."

The major IV producers have formed the British Interactive Video Association, which is providing one forum for establishing standards. But there are a host of other conventional video production companies offering interactive services, and whereas the better ones are well able to cope (some exceptionally well) many could damage the reputation of the medium before it is completely established.

The marriage of computer technology with the creative impact of moving pictures requires an extraordinary blend of talents and skills. It is hard enough to find excellence in one or the other. To find it in a mutation of both is rare indeed.

APPOINTMENTS

Group treasurer for Johnson Matthey

Mr Iain A. Houston joins JOHNSON MATTHEY on July 1 as group treasurer. He is group treasurer of Sedgwick Group. Mr John M. Shears is appointed group metals controller from June 1. He joined 12 months ago as financial controller, Johnson Matthey Metals.

Mr Kenneth E. Dubuc has joined Johnson Matthey North America as vice president, finance, from Cincinnati Microwave Inc, where he was senior vice president. Mr Kurt G. J. Hoffman has joined Johnson Matthey as operations director, Continental Europe, based in Brussels.

★

Mr John R. Huckett has been appointed a director of RESOURCE EVALUATION.

★

ANGLIA TELEVISION'S general manager, Mr Mike Hughes, has been appointed an executive director.

★

HERON SERVICE STATIONS has appointed Mr William Ahearn as commercial director. Mr Neil Swan becomes operations director and Mr Geoffrey Cross becomes security and administration director. Non-executive director, Mr Jeffrey Cohen leaves the board.

★

Mr Kenji Kuboyama, manager of the DAIWA BANK, London branch, will shortly be returning to Japan after five years in London. He will take up a new position in the bank's Tokyo international business development division where his responsibilities will include business development in Europe. He will be replaced by Mr Kenji Kurioka, formerly a representative at Daiwa's Paris office, who has been appointed manager responsible for syndicated loans and business development.

★

Following the reverse takeover of CAPARO PROPERTIES, Mr Geoffrey Sharples has relinquished his full-time consultancy as managing director and will be concentrating on his private property company, Longford Properties.

★

Mr Tony Paxford has been appointed business development director of TARMAC CONSTRUCTION INTERNATIONAL. He was marketing director of Dorman Long.

★

INBUCON MANAGEMENT CONSULTANTS has appointed Mr John Barnard as director, performance development services.

★

Mr N. J. Miller has been appointed a director of JARDINE GLANVILL. He is also a director of Jardine Glanvill's marine division.

★

MARLEY has appointed Mr Peter R. Aldridge to the main board. He will continue as chief executive of Thermalite, which is now part of the Marley group.

★

Mr Peter St George has been appointed a director of COUNTY BANK. He will be joining the corporate advisory and finance division from June 16. Mr St George was a director of Hill Samuel.

★

Mr Godfrey Bloom has been appointed group sales manager of NATIONAL MUTUAL LIFE. He will be responsible for the north east region.

★

Mr Michael Reeve has been appointed managing director of FENCHURCH NORTH AMERICA, and Mr John Plummer becomes an executive director from June 1. At Fenchurch Marine Brokers Mr John Paxton and Mr Michael Weyman become executive directors from June 1; and at Fenchurch International Mr John Lobek becomes an executive director.

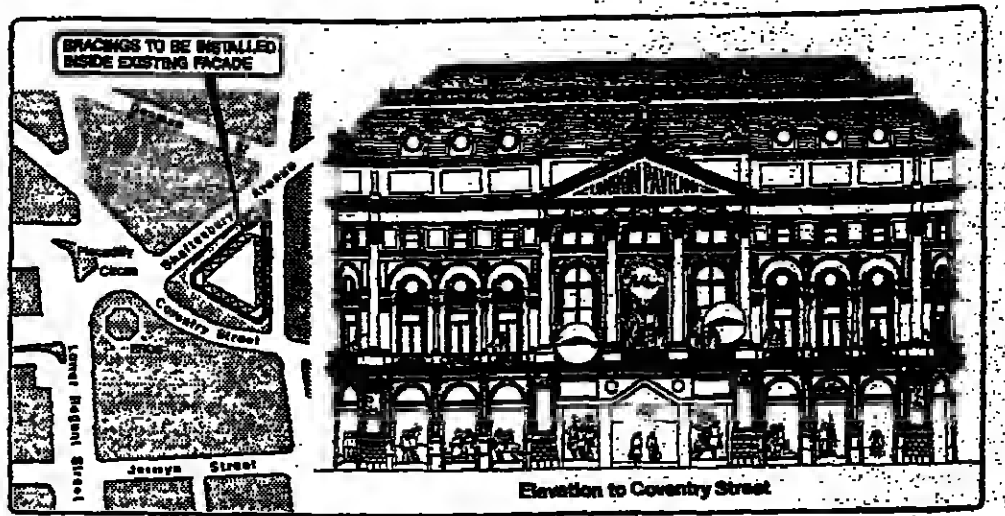
★

Whitbread Blackburn managing director, Mr Peter Watkins is to take up a new appointment at the end of the month, as WHITBREAD TRADING'S human resources director, based in Chiswell Street.

FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

CONSTRUCTION



Saving Pavilion facade . . .

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE SECRET of TROLLOPE AND COLLS success in winning the contract to rebuild the London Pavilion was its solution to the problem of holding up three unstable listed facades while the interior was reconstructed behind them.

The project is part of Grosvenor Square Properties' £20m scheme to put new life into Piccadilly Circus.

The London Pavilion is a decayed and derelict Victorian music hall, converted into a cinema in the 1930s, a stone's throw from Eros in the heart of London.

Reconstructing the Pavilion involves scooping out the interior and building six floors of shops, restaurants and a Museum of Rock Music behind the swagged, stuccoed and pillared preserved facades, and up under a new curved roof.

Rebuilding behind a listed facade is not at all unusual, particularly in heavily-conserved areas of central London.

What makes the London Pavilion difficult is that the rebuilding has to take place behind not one retained facade, but three, leaving a structure with little more strength or stability than a triangular house of cards.

The problem is compounded by the Pavilion's location on an island site surrounded by three of the busiest roads in London and on top of the capital's second busiest underground station.

This congested site meant that using conventional external scaffolding to prop up the walls would block the roads and pavements, obstruct the traffic and make access impossible.

Trollope and Colls solved the problem by proposing a system of internal steel bracing which left access to the outside clear, and took up only 15 per cent of the space inside the building compared with the 35 per cent or more which would have been occupied by scaffolding.

"Most of our competitors went for traditional internal scaffolding because it's a system composed of small pieces and easier to use and to modify on site," explained Trollope and Colls construction director Mr Peter John Holmes. "But because it's a weaker system it would have been far bulkier and have taken up more of the construction space."

Trollope and Colls was chosen from six contractors Grosvenor Square invited to tender for the Pavilion contract, and from a short list of two who were given a final interview on their proposed approach to the project.

"We chose Trollope and Colls because we felt their approach of bracing the building was the most satisfactory, as it freed the space so we could work on the core," explained Grosvenor Square's chairman Mr Paul Marber.

"It's not the cheapest solution, but it is the quickest and most expedient, and could make the job some months shorter."

The temporary load-bearing steel frame Trollope and Colls will use is sunk on its own piles —not the piles of the final new building—to make it stronger, and therefore smaller. It is held back from the internal face of the facade and braced to it so as to allow sufficient room for the new structure to be built between the temporary frame and the retained outside wall.

As the columns and beams of the new interior are put together between the frame and facade, the new floors are attached over the top of the temporary frame. This means that the temporary frame can then be removed progresively from the bottom up as the lower floors are completed, leaving the whole working space below free for fitting out.

"It took six weeks to design the frame before we could put in our tender, as unlike scaffolding you have to get it absolutely right before you start," said Mr Holmes.

"But we wanted the job because there's only one project like the London Pavilion in a lifetime, and we had to make the effort."

The contract to rebuild the Pavilion is worth £7m, and Trollope and Colls is also hoping to win a subsequent £3m contract for fitting out the building.

The first floors of the London Pavilion will open in summer 1988, and the top three floors early in 1989.

. . . . and Billingsgate fish market

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded a contract worth £12m by Citicorp Investment Bank to renovate old Billingsgate fish market building and create a financial securities trading hall. The building will be on six levels with the open plan trading hall on the ground floor, and office areas rising above around the perimeter with views down into the hall. The basement will house two floors of additional trading space and facilities. Due for completion in the autumn, the work entails renovation of the façades and roof to the style of the original 1870s design.

New ferry berth at Dover

A development costing £7.5m has been started at Dover ferry port. Contracts have been awarded to three companies to transform the present No 3 berth into a new giant berth to accommodate the new generation of "super" ferries at Dover's Eastern Docks.

The first of the 20,000-ton ferries, to be operated by Townsend Thoresen, will come into service on the Dover-Calais route in the summer of 1987.

CARTER HORSLEY ENGINEERS is to carry out the demolition contract for the old ferry berth on the site (£103,000). COSTAIN CIVIL ENGINEERING has been awarded the civil works contract (£4.5m). BUTTERLEY ENGINEERING has a design and construct contract for the bridgeworks (£2.4m). The new-look berth will be double-deck, double lane width and will have a separate access for foot passengers in common with the more recent berths constructed in the port.

Work has started to demolish the old double deck single-lane berth using a 450-ton mobile crane with a "superlift" attachment bringing its total capacity to the 800-ton mark. It will take about three weeks to demolish the existing berth. In addition, an acre of land is to be reclaimed between No 3 and No 4 berths, which will result in the new berth being located about 50 metres to seaward of the old berth. At the same time the adjacent Pier "A" is to be extended by a further 80 metres. The development will enable ferries of 28.5 metre beam to berth alongside. The area will be dredged to eight metres below chart datum. This work is part of Dover's £75m investment programme which is being carried out in the port over the next five years.

★

FAIRCLOUGH BUILDING has been awarded a £4m contract for geriatric and catering blocks at the North Middlesex Hospital in Edmonton, for the North East Thames Regional Health Authority. Both the 3,100 sq metres two-storey geriatric block and the 1,300 sq metres single-storey catering block will be constructed on piled foundations with reinforced concrete frames, concrete floors and pitched tiled roofs. Completion is in the spring of 1988.

INTL: APPOINTMENTS

Gannett chief steps down

BY TERRY DODSWORTH IN NEW YORK

MR ALLEN NEUHARTH, the US's most flamboyant modern-day newspaperman, has stunned the publishing world by deciding to relinquish the chief executive's job at Gannett just at the point when he seemed to be carrying all before him.

Only a day after announcing yet another daring acquisition, the $300m purchase of the Courier-Journal and Louisville Times group in Kentucky, Mr Neuharth, 62, told shareholders at the annual meeting that he was stepping down from day-to-day management to concentrate on strategy and development plans.

A former journalist, Mr Neuharth's most memorable decision at Gannett, the nation's second largest newspaper chain, was to launch USA Today, the easy-to-read national newspaper which set out to show that a market for a truly country-wide publication existed in the US.

Experts scoffed at the idea when the paper started up four years ago, but its mix of dramatic colour illustrations, snappy news, heavy sport coverage and essential Wall Street statistics have generated steadily advancing circulation and advertising revenues. Mr John Curley, Gannett's 47-year-old president, who will succeed Mr Neuharth as chief executive, forecasts that the new paper will be in profit by the end of next year, despite current losses of around $85m a year.

While launching USA Today, Mr Neuharth, a stylish dresser who wears only shades of black, grey or white, has taken Gannett into a series of aggressive acquisitions. The strategy has been to move into large urban areas, grafting established large-circulation newspapers onto the original portfolio of highly-profitable monopoly small-town publications.

He acquired the Des Moines Register in 1985 for $165m, and has added the Detroit News for $717m this year, followed by the Louisville papers for around $300m. He is said to have easily outbid two of the group's strongest rivals, the Washington Post and Tribune Company, to capture the privately-held Louisville papers.

A handsome man, with a head of wavy silver hair, Mr Neuharth is planning to stay as chairman until he is 65. He says Mr Curley is now the boss, but insiders who know him believe that his hand will still be steering the company into several more mergers before he finally retires.

Credit Agricole switch looms

BY PAUL BETTS IN PARIS

THE NEW Conservative French Government is expected to replace this week Mr Jean-Paul Huchon, the chief executive and managing director of the Caisse Nationale de Credit Agricole, the farmers' co-operative bank which is one of the world's largest banks, in the first major reshuffle at the top of a big State-controlled banking or industrial institution.

Mr Huchon, one of the closest aides of Mr Michel Rocard, the former Socialist agriculture minister, was appointed at the helm of Credit Agricole at the beginning of last year. Regarded by many on the right as a political appointment, he was widely expected to be among the first large state banking and industry chief executives to be replaced by the new government of Mr Jacques Chirac, the neo-Gaullist RPR prime minister.

The Government is expected to name at a cabinet meeting tomorrow Mr Bernard Auberger, a former director of the Societe Generale state banking group, to take over at Credit Agricole.

Although not nationalised as such like other large French banks, the Caisse Nationale de Credit Agricole is under the control of the Finance and Agriculture ministries. It also constitutes the second largest French bank and currently ranks number nine in the world.

The Credit Agricole is among the right's candidates for privatisation. Mr Francois Guillaume, the Conservative agriculture minister and the former president of the main French farmers' union, confirmed the privatisation plans for the Credit Agricole during an address to his former union the Federation Nationale des Syndicats d'Exploitants Agricoles (FNSEA) last month.

The replacement of Mr Huchon is expected to be followed in the coming months by other changes at key French state banking and industrial institutions, although the new Government continues to insist it will not conduct a witch hunt in the state sector to be privatised.

Heir apparent appears at Honeywell

BY PAUL TAYLOR IN NEW YORK

MR JAMES RENIER, vice chairman of Honeywell, the Minneapolis-based computer, control products and control systems group, has been named to the new positions of president and chief operating officer.

Mr Renier, aged 56, will report to Mr Edson Spencer, Honeywell's chairman and chief executive. Mr Renier's promotion appears to confirm him as heir-aparent to the chairman's job and reflects his success in helping turn the group's computer operations around.

In his new post Mr Renier, who has PhD in physical chemistry from Iowa State University, will be responsible for the daily operations of Honeywell's five main businesses: information systems, aerospace and defence, control systems, control products and the international group.

Mr Renier, who joined Honeywell as a senior research scientist in 1956, was named vice president and group executive of Honeywell's aerospace and defence group in 1976, president of the control systems business in 1979 and vice chairman and president of information systems in 1982.

* * *

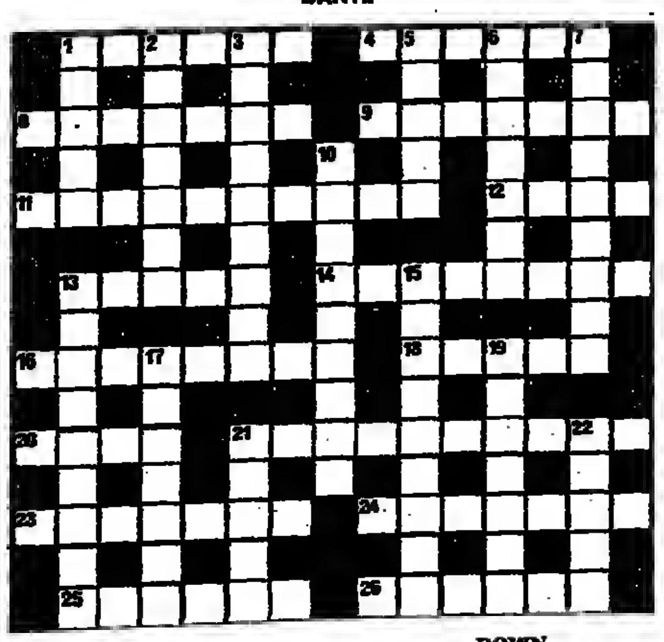
MR PETER CARNEY, who has been in charge of the US Federal Farm Credit Banks Funding Corporation, resigned his post as chief executive and president of the New York-based agency to join Wm E. Polock as senior vice president for finance and New York sales manager for the Wall Street bond trading firm.

Mr John St John, chairman of the Farm Funding Corporation, which raises funds primarily through the sale of securities on behalf of the nation's 37 farm credit banks, says that Mr Alan Fass, aged 43, senior vice president for finance, will take over responsibility for the day-to-day operations of the agency pending selection of a new chief executive and president.

Mr Carney, aged 49, joins the corporation six-and-a-half years ago as fiscal agent and became president and chief executive in July 1983. He is widely credited with restructuring the corporation and helping steer it through the farm crisis.

F.T. CROSSWORD PUZZLE No. 6,031

DANTE



ACROSS

1 See nothing in being old and infirm (6)
4 Bound over for three months (6)
8 Coastal backwater (3-4)
9 Animals about a road are easily frightened (7)
11 Encouraging a number to take part in an audition (10)
12 Bespectacled greeting in American state (4)
13 The Mohammedan world is hit (5)
14 Includes in a show of affection (8)
16 The wages of sin—and anger (8)
18 Lives wildly, producing social problems (5)
20 Thought I'd half of each (4)
21 Office worker disliked by librarians? (10)
23 Shorten a river crossing? (7)
24 Red smoke after battle? (7)
25 Score less than a hundred (6)
26 Cattle drives (6)

DOWN

1 Black paint brush (5)
2 Old city in Natal is unaffected (7)
3 One fond of the girls puts damsel in a turmoil (6, 3)
5 A picking-up point (5)
6 Miss Duncan is taken over a bumpy road (7)
7 Soap, water—what next? (9)
10 I'd come up with an account causing some amusement (9)
13 Even the most generous would be deaf to such an appeal (9)
15 Interrupt quick meal (9)
17 Moving in range (7)
19 Die of cold (3, 4)
21 He is stubbornly resolved to leave a small piece out (5)
22 Vessels were wrecked on the point (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Company Notices

SOLVAY & CIE
Société Anonyme
Registered Office:
33, rue du Prince Albert, Ixelles (Brussels)
Commercial Register Brussels No. 5554

Shareholders are hereby invited to attend the Ordinary General Meeting which will be held on Monday, 2nd June 1986 at 10 a.m. in the Registered Office to transact the following business:

AGENDA

1. Reports of the Board of Directors, of the Board of Statutory Auditors and of the External Auditors on the operations for the financial year 1985.
2. Approval of the Annual Statements for the financial year 1985—Appropriation of the profits and determination of the dividend.
3. Sanction to be given to the acts of the Directors and Auditors during the abovementioned financial year.
4. Board of Directors—Elections:
   a) Election of two Directors to replace the retiring Directors, Mr. Daniel Janssen and Vicomte le Hardy de Beaulieu, all of whom are eligible for re-election.
   b) Election of a Director to replace Dr. Wilfried Guth, who resigns.
5. Board of Statutory Auditors—Appointments:
   a) Resignation of the Statutory and External Auditors in office in pursuance of the Belgian Company Law of 21 February 1985 and of the statutory provisions in force on June 2, 1986.
   b) Determination of the member of External Auditor and of the term of their mandate.
   c) Appointment of the External Auditors to be nominated in pursuance of the preceding resolution—Fixing the remuneration of the said Auditors.
6. Any other ordinary business.

The Board of Directors wishes to remind shareholders who are holders of bearer shares that their right to attend this meeting is subject to their shares being temporarily lodged, and blocked, at the Registered Office of the company or with any of the following banks, not later than Tuesday, May 27th, 1986:
—in Belgium:
Générale de Banque
Banque Bruxelles Lambert
Kredietbank
—in Germany:
Deutsche Bank
—in France
Lazard Frères & Cie
Banque de la Mutuelle Industrielle
—in Italy:
SPAFID
—in the Grand Duchy of Luxembourg:
Banque Générale du Luxembourg
—in the Netherlands:
Algemene Bank Nederland
—in the United Kingdom:
J. Henry Schroder Wagg & Co. Ltd.
Banque Belge Ltd.
—in Switzerland:
Crédit Suisse

The abovementioned foreign banks are empowered to appoint other establishments in their respective countries at which Solvay shares may also be lodged in accordance with this requirement. The list of these establishments will be published in due course in each country.

Shareholders holding registered shares, however, are required to notify the company in writing, to arrive not later than Tuesday, 27th May, 1986, of their intention to attend the meeting, indicating the number of shares in their holding.

In accordance with Article 38 of the Articles of Association, all proxies must also reach the company's Registered Office not later than Tuesday, 27th May, 1986.

Debenture holders wishing to attend this meeting are requested to observe the same formalities as those prescribed for the shareholders (Article 37 of the Articles of Association).

Shareholders are also reminded of their rights, under Article 78 of the Consolidated Trading Companies Acts, to receive a free copy of the Annual Accounts, Directors', Statutory Auditors' and External Auditors' Reports on production of their share certificates.

THE BOARD OF DIRECTORS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Magmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Mastrs	69.7	74.6	+1.4	1.12
Amer Tech & Gen Fd	103.4	110.6	+1.6	0.55
European Growth	30.2	32.3	-1.5	0.01
European Income	35.3	37.8		4.00
Exempt	535.4	572.9		2.03
Intnl Growth Fd	29.0	31.1	+0.4	8.13
International Income	55.8	59.7	+0.1	4.96
Jap Tech & Gen	92.9	99.4	+1.4	0.01
Pacific Fund	159.7	170.9	+2.6	0.01
Secure Income Fd	173.1	185.2	+0.9	4.50
Small Co's Fd	37.4	40.0	+0.3	1.45
Special Sits	211.6	226.4	+0.6	2.18
UK General Fund	33.9	36.3	+0.5	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc.	24.0	25.7	+0.2	3.0
UK Equity Gth Tst Acc	24.2	25.9	+0.1	2.00
UK Equity High Inc Inc	24.1	25.8	-0.6	5.00
UK Equity Gen Tst Acc	27.5	29.5	+0.2	3.05
UK Equity Gen Tst Inc	24.9	26.7	+0.2	3.05
Gilt & Fxd Int Tst Inc	23.8	25.5	+0.1	
North Amer Tst Acc.	24.4	26.1	+0.7	2.30
Far East Trust Acc	23.6	25.3	+0.2	0.75
European Trust Acc	23.9	25.6	+0.4	1.25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	216.3	230.4		2.39
(Accum Units)	242.9	258.8		2.39
(Withdrawal Units)	151.8	161.8		2.39
Australian Fund	111.0	118.3		1.14
(Accum Units)	114.3	121.9		1.14
British Fund	580.9	618.7		4.40
(Accum. Units)	782.4	833.9		4.40
European Fund	267.9	285.4		0.95
(Accum. Units)	282.0	300.6		0.95
Japan Fund	273.2	291.0		0.25
(Accum Units)	274.5	292.5		0.25
Saints PPP	158.2	166.6		

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Fd	383.3	413.0	+2.2	2.52
North America	59.2	62.9	+1.7	1.19
Far East	70.7	75.2	+1.3	0.07

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	33.0	35.1	+0.7	1.4
American Income Acc.	31.5	33.6	+0.7	5.5
American Income Inc.	31.1	33.0	+0.6	5.5
European Growth Acc.	48.0	51.1	+0.2	0.0
European Income Acc.	22.8	24.2	+0.1	4.5
European Income Inc.	22.8	24.2	+0.1	4.5

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (c) (y)

Triton Fd Mngrs. Ltd

Tyndall Managers Ltd(a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Waverley Unit Trust Managers Ltd (a)

Westbury Asset Management Ltd

WestAsset Unit Trust Managers Ltd

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbey Life—Continued
Pension Funds

Property	350.6	369.1		—
Equity	762.3	802.5	+0.9	—
Selective	249.3	262.5	+1.8	—
Managed	615.1	641.5	+5.7	—
Security	328.9	346.3		—
Fixed Int.	205.4	216.3	-0.3	—
European	175.4	184.7	+0.1	—
American	222.4	234.2	+5.5	—
Japan	224.6	236.5	+4.2	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	10.47	11.03		—
Bear	11.28	11.88	+0.01	—
Owl	11.61	12.29	+0.03	—
Bull	12.69	13.36	+0.11	—
Stag	12.36	13.02	+0.06	—
Gilt-Edged		11.30	+0.01	—
Deposit		9.63		—

Pension Funds (Accumulator Units)

Squirrel	11.07	11.66		—
Bear	12.11	12.77	+0.05	—
Owl	12.58	13.25	+0.04	—
Bull	14.11	14.86	+0.18	—
Stag	13.74	14.47	+0.09	—
Gilt-Edged		11.36	+0.02	—
Deposit		9.72		—

Exempt Approved

Mixed Managed	130.20	132.86	+0.68	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd Acc.	705.6	742.7	+2.3	—
European Fd Accum	192.6	202.7	-0.2	—
Fixed Int. Acc.	306.4	322.5	-0.8	—
Gtr Money Fd. Acc	196.8	207.1	+0.1	—
Intl. Man. Fd. Acc	291.0	306.2	+2.2	—
Intl Fxd Int Fd Acc	175.1	184.3	-0.7	—
Japan Fund	218.8	230.2	+0.7	—
Nth American Fd Acc	165.9	174.6	+1.9	—
Prop Fd Acc.	198.9	209.4		—
Multi. Inv Acc.	496.0	522.0	+1.5	—

Pension Funds

Eq Pen Fd Acc	1270.1	1336.9	+5.1	—
Euro Fd Acc	246.2	259.1	-0.4	—
Fixed Int. Acc.	575.5	605.7	-2.4	—
Gt Money Pn Acc	318.0	334.7	+0.1	—
Intl Man Fd	405.9	427.2	+4.5	—
Jap Pen Fd Acc	281.3	302.4	+1.4	—
N Am Pn Fd Acc	192.0	202.1	+2.6	—
Property	291.0	306.3		—
Multi Inv Pens Acc	917.1	965.3	+4.0	—

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

American Life Insurance Co UK

Ambassador Life Ass. Co. Ltd

Baltic Assurance Funds

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co. Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical/Fidelity—Cont.

Clerical Medical Managed Funds Ltd
13 St James's Sq, London SW1Y 4LQ

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

First Financial Services PLC

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance(z)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co. Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London Life—Continued

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Provincial Life Assurance Co Ltd

Noble Lowndes & Partners Ltd

The Norwich Union Group

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co.

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co Ltd

Prudential Pensions Limited

Reliance Mutual

Refuge Assurance

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows

مركز الأهل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $17.41 +0.10 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.15 +0.13 —
Inv Adv M & G Inv Mngt, Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $15.22 -0.06 —
Dynamic Gwth Fd ... $16.30 -0.08 —

Zero Bond Fund Limited
PO Box 208 St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.60 12.30 —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	10.05			3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.95	7.44	10.06	6mth
7-day Fnd	10.09	7.54	11.01	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.51	7.12	10.20	6-Mth
7-day Fund	9.84	7.36	10.56	6-Mth
Dollar	5.62	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.00	7.20	10.43	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.75	7.29	10.56	Qtr
Mth, Int. Chq	9.75	7.29	10.63	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIC4	10.5	7.85	11.46	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.50	7.10	10.33	Mth

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	12
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	28
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect.	27
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd.	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Strong dollar lacks conviction

BY COLIN MILLHAM

THE DOLLAR gained ground last week but without any great conviction. Technical considerations, inspired by chart followers lent the currency support, but a number of unanswered questions restricted the volume of trading on the foreign exchanges.

Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, warned about the danger of a sharp slide in the value of the dollar and suggested a yellow light is flashing for the currency, in a speech echoing sentiments expressed in recent months by Mr Paul Volcker, chairman of the Federal Reserve Board.

Dealers also noted that Mr James Baker, US Treasury Secretary, in testimony before a Senate committee, made no mention of the dollar's value against the yen and D-mark, concentrating instead on the need to boost the value of the Canadian dollar. Talks on improving trade between the US and Canada began last week.

It has been assumed that Mr Baker spoke for the Reagan Administration when suggesting that a fall in the value of the US dollar would be welcomed. At times this has appeared to set the Government and the US central bank at odds but Mr Baker has changed his tone of late while still denying there is a target value.

The Federal Reserve will not join in any concerted intervention on the foreign exchanges, unless the dollar falls much further, but the threat of the central banks in the US, Japan and West Germany intervening will mean that any renewed decline by the dollar in the second half of the year will be much more gradual than in the first half.

The rather heated remarks about exchange rates, by officials in Washington and Tokyo, heard earlier this year, have ceased as the dollar has stabilised. But the fundamental problem of trade imbalance between the US and Japan remains.

In March the overall US trade deficit widened to $14.52bn from $12.49bn. The April trade figures will be published on Friday.

Rather unexpectedly growth in first quarter US gross national product was revised up to 3.7 per cent from 3.2 per cent last week, against expectations of a downward revision to about 2.5 per cent to 2.8 per cent. This provided only a limited boost for the dollar, however, since the upward revision was largely the result of stockbuilding and defence spending, and is not expected to continue at a high level in the second quarter.

Evidence of this was provided by April durable goods orders, published two days after the GNP revision. Orders fell 0.8 per cent, compared with forecasts of a 0.5 per cent rise, but this reflected a cut in defence orders. Non-defence durable orders rose 2.1 per cent, lending further support to the dollar.

The US currency was also underpinned by news of a larger than expected rise of $1.3bn in weekly US M1 money supply. A rise of about $500m had been expected. The growth of M1, taking it $11.9bn above target, is likely to make it more difficult to cut US interest rates, particularly when the economy is showing good growth.

£ IN NEW YORK

Close	May. 23	Prev. close
£ Spot	$1.4900-1.4815	$1.4900-1.4810
1 month	0.42-0.41pm	0.49-0.41pm
3 months	1.10-1.07pm	1.15-1.15pm
12 months	3.18-3.08pm	3.32-3.22pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

May 25	Bank of England Index	Morgan Guaranty Change%
Sterling	70.8	−15.3
U.S. dollar	116.7	+0.9
Canadian dollar	80.9	−10.9
Austrian schilling	134.7	+7
Belgian franc	94.7	−7.6
Danish Krone	84.8	−1.4
Deutsche mark	153.8	+14
Swiss franc	156.6	+10.9
Guilder	123.9	+8
French franc	68.5	−13.8
Lire	45.8	−18.2
Yen	204.1	+49.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

May 23	£	$
Arg'tina	1.9645-1.2665	0.8500-0.8510
Aus'alia	2.0740-2.0775	1.3904-1.5917
Brazil	20.46-00.00	13.77-13.84
Finland	7.8147-7.9516	5.2555-5.9586
Greece	211.19-212.01	142.00-142.00
H'kong	11.6693-11.680	7.8160-7.8170
Iran	120.40*	78.66*
Kuwait	0.4585-0.439	0.28516-0.28546
Lux'burg	69.35-69.45	46.30-40.45
Malaysia	3.9083-3.917	[illegible]0100-0.0200
N'Z'land	2.6440-2.651	[illegible]7889-1.7957
Saudi Ar.	5.4230-5.42[illegible]	[illegible]6500-3.6510
Sin'pore	3.5188-5.23[illegible]	[illegible]2225-2.2275
S.Af. (Cm)	5.5461-5.57	[illegible]2660-2.2727
S.Af. (Fn)	6.3024-5.46[illegible]	[illegible]714-5.7037
U.A.E.	5.4570-5.4[illegible]	[illegible]785-5.6755

* Selling rate.

CURRENCY RATES

May 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.775610	0.653229
US $	6½	1.10309	0.943512
Canadian $	9.69	*	1.29095
Austria Sch	4	N/A	15.1050
Belgian Fr	8½	N/A	45.9676
Danish Kr	7	9.71695	7.96465
D'mark	3½	N/A	2.16309
Guilder	4½	2.85576	2.42162
French Fr	9½	1.34755	0.85953
Lira	15	1797.28	1477.07
Yen	3½	195.204	159.878
Norway Kr	8	[illegible]88050	7.27219
Span'h Pta	—	[illegible]66.959	136.582
Swedish Kr	8	[illegible]58109	[illegible]65508
Swiss Fr	4	[illegible]18047	[illegible]785786
Greek Drch	20½	[illegible]4.10[illegible]	[illegible]34.284
Irish Punt	—	[illegible]608[illegible]	[illegible]70807

* C$/SDR rate for May 20: N/A

POUND SPOT—FORWARD AGAINST POUND

May 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4830-1.4985	1.4965-1.4965	0.42-0.39c pm	3.24	1.08-1.04pm	2.93
Canada	2.0290-2.0465	2.0430-2.0465	0.34-0.24c pm	1.70	0.82-0.68pm	1.47
Nethlnd.	3.91-3.84¼	3.81¾-3.82¼	1½-1¼c pm	4.12	4-3¼pm	4.06
Belgium	69.02-69.79	69.35-69.45	17-12c pm	2.51	42-34pm	2.19
Denmark	12.54-12.65½	12.63¾-12.64¾	3¼-2¼ore pm	3.03	8¾-7¼pm	2.57
Ireland	1.1140-1.1240	1.1180-1.1190	0.05p pm-0.05p dis	—	0.10pm-0.10dis	—
W. Ger.	3.38½-3.41	3.40-3.41	1¾-1½pf pm	−5.73	4¾-4¼pm	5.29
Portugal	222.83-227.99	224.40-227.62	80-315c dis	−10.56	230-845dis	−9.58

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4830-1.4985	1.4955-1.4965	0.42-0.39c pm	3.24	1.08-1.04pm	2.83
Ireland†	1.3280-1.3440	1.3385-1.3395	0.45-0.30c pm	3.35	1.20-0.90pm	3.13
Canada	1.3641-1.3674	1.3670-1.3680	0.16-0.19c dis	−1.54	0.46-0.51dis	−1.42
Nethlnd.	2.5476-2.5735	2.5550-2.5560	0.20-0.15c pm	0.82	0.79-0.74pm	1.19
Belgium	46.24-46.69	46.35-46.45	2-4c dis	−0.77	6-10dis	−0.69
Denmark	8.38-8.48½	8.44½-8.45	0.10pm-0.40ore d	−0.21	0.40-0.90dis	−0.31
W. Ger.	2.2636-2.2880	2.2745-2.2755	0.50-0.47pf pm	2.56	1.40-1.36pm	2.42
Portugal	151½-152¼	151½-152¼	100-250c dis	−13.84	275-675dis	−12.52

Belgian rate is for convertible francs. Financial franc 47.00-47.10.

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

FORWARD RATES AGAINST STERLING

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Dutch Guilder	2.40935	2.42152	+0.51	+0.51	±1.5081
Irish Punt	0.712956	0.708076	−0.68	−0.68	±1.6669
Italian Lira	1496.21	1477.07	−1.28	−1.28	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CHICAGO

US TREASURY BONDS (CBT) 8% $10,000 32nds of 100%

	Close	High	Low	Prev
June	96.28	96.30	95.26	96.01
Sept	96.07	96.09	95.03	95.11
Dec	95.13	95.15	94.12	94.18
March	94.20	94.20	94.03	93.26
June	93.29	93.29	93.11	93.03
Sept	93.08	93.08	92.22	93.15
Dec	92.21	92.21	92.05	91.29
March	92.04	92.04	91.14	91.13
June	91.21	91.21	91.08	90.31
Dec	90.29	—	—	90.08

US TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
June	93.85	93.88	93.84	93.84
Sept	93.95	93.97	93.92	93.90
Dec	93.88	93.90	93.85	93.83
March	93.69	93.70	93.65	93.63
June	93.44	93.45	93.39	93.37
Sept	93.10	93.18	93.12	93.10
Dec	92.92	92.94	92.89	92.87
March	92.69	92.70	92.67	92.65

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
June	93.01	93.02	92.98	92.99
Sept	92.99	93.00	92.93	92.92
Dec	92.94	92.85	92.80	92.78
March	93.69	93.61	93.56	92.54
June	92.30	92.31	92.27	92.25
Sept	92.02	92.02	91.96	91.97
Dec	91.75	91.75	91.70	91.71
March	91.52	91.53	91.46	91.48

CURRENCY FUTURES

LONDON

EXCHANGE CROSS RATES

May 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
S Fr.	0.505	0.530	1.207	89.98	3.842	1.	1.356	827.6	0.724	94.61
H Fl.	0.362	0.391	0.891	66.38	2.838	0.738	1.	610.5	0.534	18.16
Lira	0.488	0.641	1.459	108.7	4.643	1.208	1.638	1000.	0.875	29.74
C $	0.490	0.733	1.668	124.3	0.309	1.382	1.873	1143.	1.	34.00
B Fr.	1.441	2.100	4.906	365.6	10.61	4.063	5.508	3363.	2.941	100.

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 7¾-7⅞ per cent; three years 8¼-8⅜ per cent; four years 8½-8¾ per cent; five years 8½-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

Caution follows rate cuts

NATIONAL Westminster Bank led a round of base rate cuts last Thursday. Other clearing banks followed on Friday, and were perhaps a little surprised at making the move at that time.

On the other hand it could be said the stage had already been set for the move, by the announcement on the previous Friday of a fall to 3 per cent in UK inflation and the recent disappointing figures on economic growth.

Figures published on Wednesday showed first-quarter growth in UK gross domestic product of only ½ per cent and on the same day the National Institute of Economic and Social Research said high interest rates were damaging Britain's economic prospects.

UK clearing bank base lending rate 10 per cent since May 22

Also on Wednesday the Bank of England hinted at the possibility of lower base rates, when providing assistance to the money market, through attractive repurchase agreements on bills.

Even after last week's cut interest rates remain high, in comparison with inflation, but on Friday it was signalled that the authorities intend to continue on along the path to lower rates with caution. The opportunity was taken to endorse base rates of 10 per cent by an early round of bill purchases, at intervention rates reduced by ½ per cent across all four dealing bands. But later in the day the Bank of England lent £315m to the discount houses, for seven days, at a penal rate of 10½ per cent.

Short-term rates firmed slightly on the move, which was intended to signal that another cut in rates would not be welcomed at present.

NEW YORK RATES (4 pm)

BANK OF ENGLAND TREASURY BILL TENDER

	May 23	May 16
Bills on offer	£100m	£100m
Total of applications	£516m	£512m
Total allocated	£100m	£100m
Minimum accepted bid	£97.635m	£97.005
Allotment at minimum level	100%	84%

WEEKLY CHANGE IN WORLD INTEREST RATES

FT LONDON INTERBANK FIXING

(11.00 a.m. May 23)

LONDON MONEY RATES

MONEY RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 23, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.94
Algeria	Dinar	7.31
Andorra	French Franc	10.8350
	Spanish Peseta	216.73
Angola	Kwanza	46.14
Antigua	E. Caribbean $	4.03
Argentina	Austral	1.2653
Ghana	Cedi	134.73
Gibraltar	Gibraltar £	1.0
Greece	Drachma	211.56
Greenland	Danish Krone	12.6375
Grenada	E. Caribbean $	4.03
Guadeloupe	Local Franc	10.8350
Guam	U.S. $	1.4960
Guatemala	Quetzal	1.4960
Panama	Balboa	1.4960
Papua New Guinea	Kina	1.4214
Paraguay	Guarani	364.32 (10)
		1,085.37 (7)
Peru	Inti	exc(A)20.74(16)
Philippines	Philippine Peso	30.00
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.6477

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLAND

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO
Prices at 2.30pm
May 26

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NEW YORK ACTIVE STOCKS

TORONTO

MONTREAL Portfolio

* Indicates per-close figure

**Saturday May 24: Japan Nikkei 16,397.3, TSE 1,277.63.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
10 Jan 10 Jul	Treas 8¼pc 1984-86‡‡	99[illegible]	4.12	8.51	9.88
29 Apr 29 Oct	Exch. 14pc 1986	101[illegible]	24.3	13.75	9.35
21 May 21 Nov	Exch. 2½pc 1986	98[illegible]	14.4	2.54	5.64
22Jul 22Jan	Exch. 13¼pc 1987	102[illegible]	16.12	12.98	9.36
10 Aug 10 Feb	Treas 10¼pcCv '87	100[illegible]	6.1	10.19	9.33
24Aug 24Feb	Exch 2½pc 1987	96[illegible]	20.1	2.58	6.74
6Oct 6Apr	Exch. 10½pc 1987	100[illegible]	3.3	10.40	9.28
1 Nov 1 May	Funding 6½pc '85-87‡‡	98½	25.3	6.60	8.19
12Dec 12Jun	Treas. 10pc 1987	100⅞xd	5.5	9.91	9.12
14Jan 14Jly	Treas 3pc 1987	96½	9.12	3.11	6.25
3May 3Nov	Treas. 12pc 1987	103[illegible]	28.3	11.55	9.01
26 Jul 26 Jan	Treas 7¼pc 1985-88‡‡	99[illegible]	20.12	7.81	8.22
10Nov 10May	Exch 10½pc '88	103	3.4	10.19	0.78
14Dec 14Jun	Treas 9¾pc Cv '88	101[illegible]	8.5	9.60	8.91
1Jan 1Jul	Transport 3pc '78-88	93¼	25.11	3.20	6.22
25 Apr 25 Oct	Treas. 9½pc '88	101[illegible]	19.3	9.39	8.92
22 Aug 22 Feb	Treas 11½pc 1989	106¼	16.1	10.82	0.86
18 Oct 18 Apr	Treas 9½pc Cnv. '89	102[illegible]	12.3	9.30	8.62
15Nov 15May	Treas 3pc 1989	91[illegible]	8.4	3.26	6.03
14Dec 14Jun	Treas 10½pc 1989	104[illegible]	8.5	10.07	8.89
1Feb 1Aug	Exch 10pc 1989	102[illegible]	27.12	9.71	0.92
29 Mar 29 Sep	Exch 11pc 1989	106[illegible]	20.2	10.37	8.83
15 Apr 15 Oct	Treas 5pc 1986-89	93½	10.3	5.35	7.19
13 May 15 Nov	Exch 10¼pcCv '89	108[illegible]	8.4	9.43	7.34
15 Jul 15 Jan	Treas 13pc 1990‡‡	112[illegible]	9.12	11.52	8.77
12 Aug 12 Feb	Exch 11pc 1990‡‡	106[illegible]	6.1	10.29	8.77
22 Sep 22 Mar	Exch. 12¼pc 1990	111[illegible]	13.2	11.17	8.76
8 Nov 8 May	Treas. 3pc 1990	89[illegible]	1.4	3.36	6.06
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	99[illegible]	9.5	8.28	8.36

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Campbell Soup 30c	36¼	6.1	$1.32	—	2.5
F My Au N	Caterpillar Tractor	35½	16.4	50c	—	1.0
Jn Ap Jy Oc	Cenergy Corp. 25c	436p	30.8	4c	—	0.6
Fb My Ag Nv	Chase M'htn $12.5	28¾	25.4	h$2.05	—	4.9
Ap Jy Oc Ja	Chemical New York	34⅝	11.3	$2.60	—	5.1
Mar Jun S D	Chesebrough-Pond's $1	33½	27.2	$2.00	—	4.1
Mar Jun S D	Chrysler $6¼	26½	12.3	h$6.bd	—	1.7
My Au N F	Citicorp $4	40½xd	24.3	$2.26	—	3.8
Fb My Ag Nv	CityFed Fin. Corp.	10½	30.12	40c	—	2.7
F My Au N	Colgate-P. $1	25⅝	22.4	$1.36	—	3.6
Mr.Ju.Se.De.	Colt Inds. $1	46⅞	11.3	$2.50	—	3.6
—	Cons Freightwys $0.625	29½	6.5	$1.10	—	2.5
—	Contl Illinois Corp $1	520p	—	—	—	—
—	Cont Illinois Hldgs $1	59p	3.84	—	—	—
—	♥Corporate Data Scnce.	48p	—	—	—	—
Jn Ap Jy Oc	Crown Zell. $5	31¼	5.12	$1.00	—	2.1
—	Colliner Shaw $0.1	10½	—	—	—	—
—	Damson Oil 40c	131p	—	—	—	—
Mar Jun S D	Dana Corp. $1	20⅝xd	22.5	$1.28	—	4.2
—	Data General	26¼	—	—	—	—
—	♥Derma-Lock Medicl	17½p	—	—	—	—
Mr Jn Sp De	Dun & Bradstreet $1	75¼	17.2	$1.88	—	1.7
F My Au N	Exxon Corpn. 50c	47⅛	30.4	$1.60	—	2.3
Mar Jun S D	Exxon	39½	7.11	$3.60	—	6.2
MrJnSepDec	FPL Group $0.01	21	25.2	$2.04	—	6.6
—	Fairmont Fin	19¼	—	—	—	—
F May Au N	Fin. Corpn. Amer. 50c	772p	25.6	—	—	—
Jan Apr Jly O	First Chicago $5	21⅛	4.3	$1.32	—	4.2
Mar Jun S D	Ford Motor $2	53⅛	29.4	$3.30	—	4.2
Mar Jun S D	GATX 62½c	22⅛	25.2	$1.20	—	3.7
April Oct	Gen. Elect. $1¼	52[illegible]	3.12	$2.32	—	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

Dividends Paid		Stock	Price	Last xd
July	Oct	Costain Group	544xd	12.5
Sept.	Apr	Countryside Props.	420	10.2
Oct	April	Crouch (D.) 20p	138	10.3
Sept	Mar	Dew (George) 25p	98	24.2
October		Douglas (Robt. M)	101	10.2
October		‡Dunton Group 5p	28	1.4
May	Oct	♥E.B.C. 50p	165	1.4
Dec.	June	Erith	93	14.4
February		Fairbriar 10p	152	23.12
Dec	June	Feb Intl 10p	80	11.11
Dec	June	Do. 'A' 10p	58	11.11
Oct	April	Federated Housing 5p	124	17.4
Jan	Oct	Finlan Group 10p	56	10.2
Apr.	Nov	Galliford 5p	40	10.3
May		Gibbs Dandy A 10p	45	14.4
July	Jan.	Gleeson (M.J.) 10p	368xd	12.5
Feb.	Oct	HAT Group 10p	103	13.1
—	—	Helical Bar	196	6.01
Dec.	July	Henderson Group	227	11.11
Dec.	July	Howden-Stuart 10p	73xd	12.5
Jan.	July	Do. 10pcLn. 03-08	£191	9.12
April	Oct	Heywood Williams	214	21.3
Dec.	June	Higgs & Hill	355	28.4
Oct.	Mar.	Howard Shut 10p	34	10.2
Dec.	May	Ibstock Johnsen	190	14.4

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Jan	[illegible]	145	[illegible]	4.0	2.1	3.9	17.3
Jan	May	[illegible]	74	[illegible]	4.25	1.5	8.1	20.4
—		[illegible] 10p	106	—	[illegible]	♦	3.6	♦
Jan	July	[illegible]	308	28.4	8.5	♦	3.9	♦
May		[illegible] 'A' 25p	20	—	—	—	—	—
Jan.	Aug	[illegible]	128	[illegible]	[illegible]	2.7	3.3	13.0
July		[illegible]	167½	12.5	2.63	2.6	3.5	13.0
Nov	June	[illegible]	325	24.2	6.0	3.0	0.9	18.7
Mar.	Sept	[illegible]	32	[illegible]	0.5	—	2.2	—
—		[illegible] 10p	21	[illegible]	[illegible]	—	—	—
Jan	July	[illegible]	38	14.4	[illegible]	[illegible]	3.0	♦
April	Dec	[illegible]	54	[illegible]	0.95	5.9	2.5	7.7
—		[illegible]	113	—	[illegible]	6	3.6	♦
Jan	Aug	[illegible]	250	[illegible]	[illegible]	2.0	4.8	13.6
Oct.	Apr	[illegible]	51½	12.5	3.5	2.1	5.4	17.2
Feb.	Aug	[illegible] Grp	98	27.1	5.0	1.3	7.2	13.6
Dec	July	[illegible]	237	[illegible]	E5	2.9	5.2	9.4
October		[illegible] 20p	85	10.2	14.0	7.5	6.6	7.5
—		[illegible]	26	—	[illegible]	2.1	6.0	8.7
May	Nov	[illegible]	752	28.4	24.5	2.1	4.6	14.6
Jan	June	[illegible]	8	12.5	[illegible]	.9	13.1	4.0
May	Nov	[illegible] 9pc Cnv 87-92	£262	14.4	9%	—	13.5	—
December		[illegible] Grp 10p	95	[illegible]	3.2	1.2	6.9	23.6
April		[illegible] 25	£15¼	3.4	[illegible]	0.3	4.2	—
June	Dec	[illegible]	174	[illegible]	5.5	2.1	4.5	13.0
—		[illegible]	215	25.4	[illegible]	3.4	1.2	24.9
Apr.	Dec	[illegible] Sales 10p	56	[illegible]	3.5	1.2	7.5	15.3
May	Nov	[illegible] Place 10p	335	[illegible]	[illegible]	1.9	7.8	29.1
Apr	Nov	[illegible] 'A'	415	14	14.5	2.9	3.2	15.1
February		[illegible] Group 5p	480	[illegible]	12.4	2.4	0.1	90.3
—		[illegible]	39	—	—	—	—	—
Aug.	Feb	Do 11pc Cnv [illegible]	£190	10.2	[illegible]	—	11.3	—
June	Nov	Pearson	445	14.4	10.0	2.8	3.2	14.9
—		[illegible] Holdings [illegible]	25	—	—	—	—	—
Mar	Oct	[illegible]	125	10.2	[illegible]	—	7.1	—
July	Nov	[illegible] 10p	700	12.5	1.5	22.4	0.3	19.8
May	Dec	Photo-Me	[illegible]	24.2	15.0	8.3	0.8	19.4

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net
Jan	July	Leisuretime Int 10p	110	1.4	2.5
—		Lewmar	107	—	u2.63
14 2		Media Tech Int 20p	158	24.2	L2.58
Apr.	Dec.	Medminster 10p	145	10.3	15.35
Oct	May	Mini World 10p	290	1.4	5.2
May	Oct	Nationwide Leisure	92	12.5	13.75
—		Nimslo Int 20c	16	—	—
July		Owners Abroad 5p	29½	28.4	1.5
—		Photax (Lon.)	60	[illegible]	—
Apr	Sept	Piccadilly Radio NV 5p	29	24.2	2.0
—		Pineapple Dnc St 10p	65	[illegible]	—
Sept.	Apr	Pleasurama 5p	293	12.5	7.5
Sept	Mar	Do. 7pcCvCmRedPf	141	10.2	7½
		For Pres. Entertainment see Hotels			
—		Radio City 'A' NV	40	[illegible]	—
Jan	July	Radio Clyde N/V	45	23.12	3.25
—		Really Useful Grp 5p	363	1.4	b11.25
—		Riley Leisure 10p	46	[illegible]	—
Apr.	Nov	Saga Hols. 20p	178	10.3	4.6
Apr	Nov	Samuelson Grp 20p	295	24.2	u2.4
Jan	July	Sanger Photo 10p	108	28.10	♦2.0
July	Dec	Scanro 50p	165	11.11	4.0
Dec	May	Scott. TV 'A' 10p	345	14.4	n10.5
		SelCo Inc $0.125	159	[illegible]	—
—		SelecTV 10p	19	—	—
—		Spectrum 5p	21½	—	†12.0
May	Nov	TSW 5p	39	1.4	†1.7
Mar	Aug	TVS N/V'g 10p	235	10.2	8.0
May	Oct	Trident TV Secs 50p	138	28.4	2.0
Apr	Nov	Tottenham Hotspur	67	16.9	§4.0
—		Tribon 10p	85	03.1	L1.1
February	Dec	Tyne Tees TV 'A' £1	245	1.4	a10.5
Jan	July	Ulster TV N/V 'A'	130	28.4	†5.25
February		Virgin 5p	50	13.1	n1.26
—		WSL 5p	192	—	—
April	Sept	Webb Lies. I 5p	25	10.2	a0.5
July		Williams (Rex) 5p	21	10.3	0.91

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

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WORLD STOCK MARKETS

EUROPE

Dominated by plunge in Paris

A PLUNGE by the French stock market yesterday dominated trading on the European bourses, which was otherwise depleted by the absence of UK and US investors due to market holidays.

Paris suffered its sharpest one-day fall since the Socialists gained power in 1984 as many domestic investors were unsettled by last week's trade and employment data while the recent spate of capital increases by the state banking sector and the prospects of more in June raised fears over short-term liquidity.

Trading was extended for two hours to cope with the heavy volume although some issues were untraded because of heavy sell orders. Foods sustained some of the largest declines with BSN, which last week won control of Général Biscuit, shedding FFr 230 to FFr 3,400. Carrefour lost FFr 195 to FFr 3,380.

Among car industry stocks, Peugeot finished FFr 80 down at FFr 872 and Michelin retreated FFr 285 to FFr 2,180.

Bouygues reversed an opening advance to finish FFr 12 lower at FFr 1,060, while unmatched orders prevented trade in Colas and Dumez.

Among engineers Dassault declined FFr 140 to FFr 1,400 and Matra weakened FFr 90 to FFr 2,070.

Retailers displayed some resistance to the downturn with Redoute FFr 20 off at FFr 1,830 but Galeries Lafayette and Printemps were untraded due to large sell orders.

The stocks of many foreign, notably US, companies were mainly higher.

The UK and US market closures weighed heavily on **Frankfurt** although the firmer tone of the dollar aided some export dependent stocks. The Commerzbank index retreated 11.8 to 1,989.3.

Among the car makers, Daimler lost DM 7 to DM 1,343 while BMW surged DM 9 to DM 585 and Volkswagen edged 50 pfg higher to DM 571.

Hoechst led the chemicals sector lower with its DM 5.50 decline to DM 277.50 while among blue-chip electricals Siemens retreated DM 2.50 to DM 622.50. Leading computer group Nixdorf moved against the trend with its DM 2 advance to DM 585.

Allianz, which announced a 7.8 per cent rise in new business for the first four months of the year fell DM 10 to DM 2,440. Among the banks, Deutsche Bank lost DM 5 to DM 797 and Commerzbank, which traded ex its DM 15.50 dividend, lost DM 8 to DM 316. Bayerische Vereinsbank closed DM 23 cheaper at DM 535 ex its one-for-11 rights issue at DM 375.

The bond market was mixed to lower under the impact of the record DM 4 two-tranche government bond. Dealers said the terms on the new federal 30 and 10-year loan stock were so tight that the paper could only be sold to overseas investors.

The Government has not brought a maturity as long as 30 years in the post war period and almost all issues during the past eight years have been for 10 years or less. The new offer depressed the recent 6 per cent 1998 federal government bond, which shed 40 basis points to 101.60.

The Bundesbank sold DM 41.8 per cent of domestic paper after sales of DM 34.3m on Friday.

Amsterdam lost most of its post-election ethusiasm. Internationals were weaker due to the absence of many foreign buyers. Unilever retreated Fl 3 to Fl 466 while Akzo shed Fl 3.10 to Fl 174.20. Philips held up well with its 50 cent decline to Fl 59.20, while KLM, expected to report a fall in profits tomorrow, dipped Fl 1.30 to Fl 51.

Banks suffered widespread losses, with ABN leading the way with a Fl 8 drop to Fl 589. NMB dipped Fl 2 to Fl 214 and Amro declined Fl 1.30 to Fl 112.20.

NMU lost Fl 2 to Fl 344 amid plans to take over the periodicals unit of publisher Kluwer. Elsevier, however, moved against the trend with its Fl 1 rise to Fl 212.

Profit-taking dominated **Brussels**. Last week's government attempts to curb the budget deficit failed to have much of an impact yesterday.

Bellwether Petrofina was unchanged at BFr 8,000, while retailer GB Inno BM posted one of the few gains with its BFr 80 advance to BFr 7,860.

Milan suffered a technical downturn ahead of the 1 percentage point cut in the official discount rate to 12 per cent.

Fiat was actively traded L649 lower to L15,351, while Olivetti, also active, dropped L730 to L19,110.

Zurich was quiet with small movements in banks, insurers and financials.

Stockholm gained ground despite the threat of a major industrial dispute in the engineering industry which could halt national car production.

Thin Oslo trading saw strong gains for insurance stocks.

CANADA

INDUSTRIALS proved one of the strong points in Toronto although volume was light due to the closure of Wall Street for the Memorial Day holiday.

Dome Petroleum was actively traded 25 cents lower to C$1.15 after a 15 cent decline on Friday.

Montreal was mixed with utilities slightly firmer.

TOKYO

Record high despite late caution

DEMAND for biotechnology stocks and likely merger and acquisition targets drove Tokyo to another record yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 12.17 to close at 16,409.49 after gaining 106 points at one stage in the morning. Volume totalled 497m shares, compared with 728m last Friday.

The index has soared over 700 points in the last four sessions. It opened sharply higher yesterday, but the firmer trend tapered off later, reflecting concern about high prices. Advances led declines by 424 to 380, with 164 issues unchanged.

The upsurge last week was sparked by increasing numbers of ruling Liberal-Democratic (LDP) members showing they were in favour of holding a "double election" of both chambers of the Diet (parliament). Many investors forecast the LDP would win the poll and that the Government would adopt a package of reflationary measures beforehand.

The market thus performed better than expected, with buying concentrated on domestic demand-related and blue-chip stocks.

The bullish undertone persisted yesterday. Domestic demand-linked constructions, foods, chemicals and biotechnology issues were sought widely in early trading. Biotechnology stocks accounted for five of the 10 most active issues.

Speculative stocks were also favoured. Sato Kogyo topped the active list with 16.93m shares changing hands and increased Y7 to Y520 on rumours of buying by speculators. Kawasaki Kisen, second busiest with 12.14m shares, ended Y2 at Y196.

Kyowa Hakko rose Y70 to Y1,860 on expectations for development of biotechnology-based new pharmaceuticals. Takeda Chemical climbed Y80 to Y1,610 due to the sales potential of its anti-senility drug. Mitsubishi Chemical Industries advanced Y24 to Y742.

Toyama Chemical added Y41 to Y959, while Banyu Pharmaceutical gained a maximum Y100 to Y1,090 and Tokyo Tanabe the Y200 limit to Y1,390. Conversely, Kuraray shed Y40 to Y1,910 on profit-taking after having led biotechnology stocks last week.

Sumitomo Chemical was the third busiest stock with 9.49m shares traded and firmed Y2 to Y362 on expansion of its biotechnology division and its entry into optical disks.

Bonds were traded mainly by securities companies and banks, as institutional investors remained on the sidelines due to a lack of fresh incentives.

Bond futures weakened, boosting the yield on the benchmark 6.2 per cent government bond due in July 1995 from 4.830 to 4.835 per cent. By contrast, the yield on the 5.1 per cent government bond maturing in March 1996 dropped from 4.925 to 4.895 per cent, indicating the issue will become a bellwether bond.

AUSTRALIA

HEAVY TRADING in BHP and persistent demand for quality industrials boosted Sydney and added 13.3 to the All Ordinaries index, which closed at 1,204.6.

BHP added 10 cents to A$8.60 in brisk turnover as Bell Resources' partial takeover bid entered its last day today. BHP accounted for 15.7m of the total 57.7m shares traded.

Bell held steady at A$4.15, while its parent Bell Group dipped 10 cents to A$8.50. Elders IXL added 15 cents to A$4.35, while Adelaide Steamship, still considered short of BHP shares in an options agreement with Bell, added 20 cents to A$12.80 after an early A$13.

HONG KONG

PROPERTY issues were in the spotlight in Hong Kong ahead of today's government land auction, which it is thought will confirm a growing view that the sector is entering a consolidation phase. The Hang Seng index fell 4.05 to 1,811.87 and the Hong Kong index dipped 2.48 to 1,126.70.

Cheung Kong, a likely bidder for the prime government site, retreated 20 cents to HK$21.20, while 10-cent falls were reserved for Hongkong Wharf at HK$7.15 and SHK Properties at HK$12.50.

SINGAPORE

INSTITUTIONAL support and steady buying by central provident fund investors injected new life into Singapore and the Straits Times industrial index added 15.06 to 616.86.

Promet, the most active with 685,000 shares traded out of a total session volume of 10.07m, added 3 cents to 29 cents, while Sime Darby gained 4 cents to S$1.21 in heavy turnover.

SOUTH AFRICA

MARKET HOLIDAYS in the US and Britain reduced the level of trading in Johannesburg and gold shares finished easier.

Fregold lost 25 cents to R34 as Lorraine retreated 20 cents to R11.80 Vaal Reefs finished at its low for the day of R211.50, a drop of R2.

BASE LENDING RATES

	%		%
ABN Bank	10½	Financial & Gen. Sec	10½
Allied Dunbar & Co	10½	First Nat. Fin. Corp	11½
Allied Irish Bank	10½	First Nat. Sec. Ltd	11½
American Express Bk	10½	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10½	Grindlays Bank	‡10
Associates Cap Corp	11	● Guinness Mahon	10
Banco de Bilbao	10½	● Hambros Bank	10½
Bank Hapoalim	10½	Heritable & Gen. Trust	10½
Bank Leumi (UK)	10½	● Hill Samuel	§10½
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10½	Hongkong & Shanghai	10
Bank of Ireland	10½	Knowsley & Co. Ltd	11
Bank of India	10½	Lloyds Bank	10
Bank of Scotland	10	Edward Manson & Co	11½
Banque Belge Ltd	10½	Mase Westpac Ltd	10½
Barclays Bank	10	Meghraj & Sons Ltd	10
Beneficial Trust Ltd	11½	Midland Bank	10
Brit. Bk. of Mid. East	10	● Morgan Grenfell	10
● Brown Shipley	10½	Mount Credit Corp. Ltd	10½
CL Bank Nederland	10	National Bk. of Kuwait	10
Canada Permanent	10	National Girobank	10½
Cayzer Ltd	10½	National Westminster	10
Cedar Holdings	12	Northern Bank Ltd	10
● Charterhouse Japhet	10	Norwich Gen. Trust	10
Citibank NA	10	PK Finans. Intl (UK)	11½
Citibank Savings	¶10.75	Provincial Trust Ltd	11½
City Merchants Bank	10	R. Raphael & Sons	10
Clydesdale Bank	10	Roxburghe Guarantee	11
C. E. Coates & Co. Ltd	12	Royal Bank of Scotland	10½
Comm. Bk. N. East	10½	Royal Trust Co. Canada	10½
Consolidated Credits	10½	Standard Chartered	10
Continental Trust Ltd	10½	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10½	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10½
E. T. Trust	11½	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10

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